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DUN'S REVIEW

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IT AVENUE—WELCH FROM FPG

This Month's Cover

MINNEAPOLIS, MINN.

The nation's sixteenth city lies on both sides of the Mississippi River at the Falls of St. Anthony whose plentiful water-power primarily determined the growth of Minneapolis as a manufacturing center. Father Hennepin discovered and named the falls in 1680, but not until 1837, when the Indians gave up their lands east of the river, did settlers begin to stream in, later forming the village of St. Anthony on the east side of the falls. The town grew rapidly and by 1850 had spread across to the west bank of the river where it was called Minneapolis. The two cities were united in 1872. Before joining the Mississippi, Minnehaha Creek, outlet of the famed Lake Minnetonka, plunges over a cliff to make Minnehaha Falls, celebrated by Longfellow in Hiawatha, although he never saw the sight. Within the city limits are six large natural lakes and several smaller ones. . . . The print reproduced for the cover of DUN'S REVIEW was drawn from nature by E. Whitefield in 1856 from Cheever's Tower on property now included in the campus of the University of Minnesota. It is shown through the courtesy of the Minnesota Historical Society. . . . The population is 492,370. Minneapolis is the largest producer of flour and other grain products in the country. Minneapolis and St. Paul, adjoining to the south on both sides of the river, are known as the Twin Cities. The city's 1,094 manufacturers produced goods valued at $104,376,377 in 1939. Retail sales in 6,789 stores totalled $471,371,000; 1,365 wholesalers did $716,894,000; and 3,343 service firms, $24,216,000. Products also include farm machinery, linseed oil, lumber, butter, motor vehicles, and clothing.

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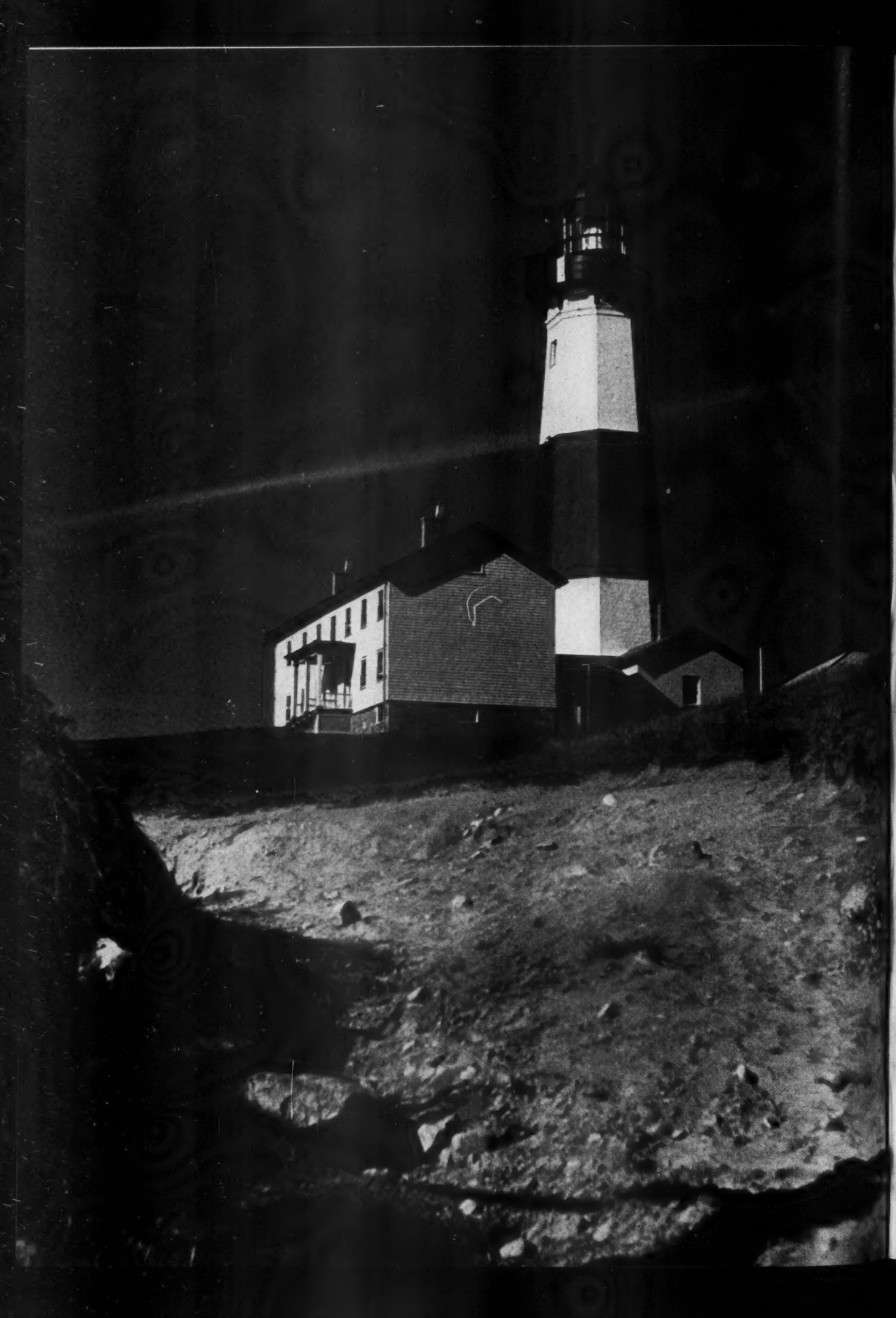


LAMBERT FROM LEWIS

War-time accounting reserves may provide for "accelerated depreciation of facilities as a result of intensive use and, furthermore, of operation by less experienced personnel."

THE DIFFICULTIES *of* MEASURING PROFITS *in a* WAR-TIME ECONOMY

WALTER A. STAUB, C.P.A.
Partner, Lybrand, Ross Bros. & Montgomery

At any time, statements of business profits are likely to include consideration of some items based on estimates and on informed judgment. In war times, unusual conditions, changes in operations, and decreased certainty as to future activities, increase both the difficulties and the need for sound practices in determining profits. Here an authority in the field discusses the use of reserves to provide for war costs and losses which are not exactly determinable.

WITH an interval of only two decades between the conclusion of World War I and the outbreak of World War II, many of the business men, financiers, and accountants who are active in the business world today have a vivid recollection of the course of events of the earlier war period and their effect on corporate finance and financial statements. They recall only too readily the rampant optimism of business leaders during World War I, when prices soared and profits were apparently being earned at an unprecedented rate, and the general expectation of an indefinite continuance of the high price level and of a large volume of business resulting from the reconstruction of post-war Europe—an optimism fatal to many.

The effects of the war on the price level were not felt immediately after the end of the war. Following a brief period of slackening off early in 1919, business appeared for a time to revive and to accommodate itself to the return of peace. All the more, therefore, was it a great shock when in 1920 the price level took a nose dive and inventory losses had to be written off in that year which offset in many cases a considerable part and in some cases all of the profits reported during the war period. The experience of finding a large part of the war profits immobilized in bricks and mortar, and either an excess of productive capacity or facilities not well adapted to peacetime use, was also a great disappointment.

"The burnt child dreads the fire" and business men and accountants alike have been much concerned since the outbreak of World War II that "it shall not happen here" again. With our entry into the war and the tremendously increased expenditures for war purposes now in prospect, this feeling of concern has been still further accentuated. It has led the American

Institute of Accountants, through its Committee on Accounting Procedure, to make a careful study of what could be done to stimulate a conservative policy in the preparation of financial statements during the war period so that they might serve, insofar as may be feasible through the medium of financial statements, to provide against a post-war financial debacle.

The conclusions and recommendations of the committee were embodied in the Institute's Accounting Research Bulletin No. 13 on Accounting for Special Reserves Arising Out of the War. The thought underlying the bulletin is to encourage the setting up of special reserves to provide for costs and losses, whether or not presently recognizable or determinable, which the experience of World War I may lead us to believe will be an outcome of the war program in the field of industry.

An essential feature of the accrual system of accounting which is used by the vast majority of business concerns today is to recognize in the accounts of each fiscal period all those costs and expenses which relate thereto. In one of the tax cases decided a quarter century ago, the United States Supreme Court indicated that the basic principle of the accrual method of accounting is that of "charging against income earned during the taxable period the expenses incurred in and properly attributable to the process of earning income during that period." (*U. S. vs. Anderson,* 269 U. S. 422.) That statement expresses not merely a sound principle of income taxation, but also good accounting practice in a broad sense.

The mere fact that it may not be feasible to determine the precise amount of a liability incurred or of a loss sustained does not warrant ignoring it in preparing either an income statement or a balance sheet. It is obvious that it is more realistic, and closer to the fact, that an estimate be used as the basis of an entry for a liability incurred or a loss sustained which has not yet been finally determined, than to ignore the matter altogether. Similarly, even though a liability may not have been actually incurred, or a loss be actually predictable, during the carrying out of war contracts, if experience indicates the likelihood of such expenditure becoming eventually necessary, or of losses being ultimately sustained, it is again more realistic to provide against the evil day by charging against (or deducting from) the apparent profits from war contracts the provision of reserves for such possible costs and losses.

The qualifying word "apparent" may also be used when speaking of the profits of concerns not directly engaged in war contracts but the business of which is nevertheless experiencing stimulus from war conditions.

In deciding what provision should be made for war costs and losses which are regarded as applicable to the revenues of fiscal periods during the present war the experience of the World War I and its post-war period should naturally encourage a policy of liberal provision. Current social trends should be taken into account. An example of this type of future expenditure which may arise from war activities is that of separation allowances to be paid to employees who are discharged when it is no longer possible for a concern which built up a huge personnel, while carrying out large war orders, to employ it for a much smaller peace-time business. In some instances contracts with labor unions may require payment of such separation allowances; in others, the consideration of management for those whom it can no longer employ may motivate it to pay such allowances voluntarily; perchance, as the problem becomes more ominous, legislation may be enacted to make payment of such allowances obligatory.

The Institute Committee listed in its

War-Time Costs and Losses for Which Reserves May Be Provided

AIA Accounting Research Bulletin 13; see article text.

1. Accelerated depreciation of facilities as a result of intensive use and of operation by less experienced personnel.

2. Accelerated obsolescence of facilities due to intensive research during the war in an effort to increase productive efficiency.

3. Amortization of the cost of rearrangement and alteration of existing facilities which will probably be rearranged in the post-war period.

4. Amortization of the cost of additional facilities acquired, the usefulness of which is expected to be substantially reduced at the termination of the war.

5. Losses which may be sustained at the end of the war in the disposal of inventories useful only for war purposes, or in the adjustment of purchase commitments then open, including any amounts which may be paid for the cancellation of such commitments.

6. Losses which may be sustained in the disposal of inventories not necessarily applicable to war production, due to decline in the price level, which, on the basis of past experience, usually follows a pronounced rise in prices.

7. Repairs and maintenance deferred as a result of pressure for war production.

8. Restoration or alteration of facilities to peace-time production at the end of the war, if it is reasonable to assume that such restoration or alteration will then be made.

9. Separation allowances which may be paid to employees who are discharged at the termination of the war.

10. Losses from destruction of property as a result of the action of armed forces or from seizure thereof by the enemy.

11. Decline in the useful value of plant and equipment due to excess capacity resulting from war construction.

Accounting Research Bulletin eleven purposes (shown at the left) as being among those for which reserves may be provided.

This list was not intended to be all-inclusive. In practice, further situations or purposes will present themselves for which special reserves should be provided. Also, the list did not attempt to distinguish between those items for which provision is discretionary and those for which it is mandatory. In many instances this will depend on particular circumstances.

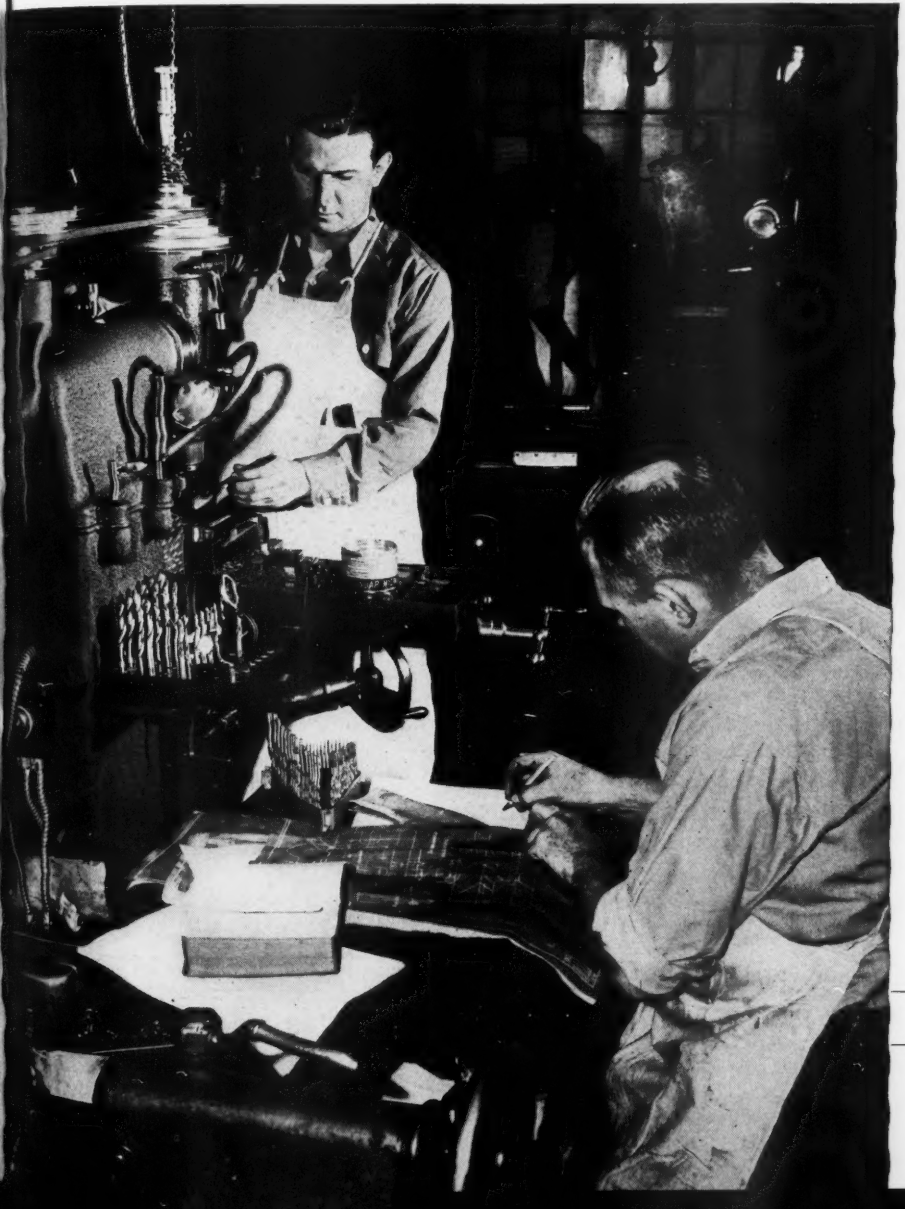
In opening its discussion of how to meet war conditions, from the viewpoint of the presentation of results operations and statement of financial position, the Institute Committee made the following statement which expresses a thought which needs to be kept constantly in mind: "The existing situation presents in acute form the problem of reconciling two basic accounting objectives: first, that of bringing charges as nearly as may be into the same accounting period as the revenue against which they are fairly applicable, and, second, that of basing accounting entries as far as possible on objective evidence or on estimates of a reasonably definite character. In general, the committee believes that the first of these objectives should be regarded as the more essential; but this conclusion does not warrant the presentation of figures in which amounts determined with a reasonable degree of accuracy and in accordance with accepted accounting principles are combined indistinguishably with others presenting mere conjecture."

The Securities and Exchange Commission is, I understand, somewhat concerned about the problem of war reserves because of the difficulty of obtaining objective evidence or bases for the reserves set up. In some registrations that have already come before the Commission it has been disturbed by the fact that provisions (in the form of reserves) for possible future expenditures or for future losses that are feared, but for which there is no basis other than past business experience and perhaps a certain amount of intelligent guessing, have been combined in financial statements with expenditures or reserves for other items of a more definitive character. It certainly is desirable to separate those reserves that are in the nature of discretionary estimate, rather than having any definite basis, from those which are determined more nearly on the basis of objective evidence.

Those costs and losses which are foreseeable, as performance under Government contracts or activities directly related thereto proceed, will doubtless offer some accounting problems because of their not always being presently determinable with precision. This is a problem, however, that is encountered even in ordinary times. Under war conditions it is naturally aggravated.

The problems involved in the case of "foreseeable costs and losses applicable against current revenues, to the extent they can be measured and allocated to fiscal periods with reasonable approximation," arise out of the practical application of a principle which has been long recognized in practice. All of us know from experience that it is much easier to state a principle than it is to apply it to the conditions of a particular case. Problems in respect of this long recognized principle which arise out of war conditions are primarily matters of degree in dealing with concrete situations rather than involving any question of change in presently recognized accounting principles. In other words, in respect of foreseeable

LAMBERT FROM LEWIS



"Current social trends should be taken into account." War costs and losses may look ahead to provision for "separation allowances which may be paid to employees who are discharged at the termination of the war."

costs or losses, even where the amount may not be definitely determinable at the moment, but where there can be a reasonable degree of approximation, we are dealing with the application of a well-recognized principle and it is the application to particular circumstances that may present difficulty.

The experience of World War I, and particularly of its post-war period, indicates that many expenditures are necessary and losses are sustained after a war is over which either cannot be definitely foreseen, or if they are, they cannot be measured with any reasonable approximation during the war period. Letting the matter go, however, until the post-war period, and having then to charge against those years when profits are small or, because of inadequate volume of business, are even nonexistent, may result in profits being stated during the war period at amounts which were never realized in the sense of being actually distributable or of being beneficial to the future of the business. Thus in the post-war years losses may be shown which are greater than those actually sustained on the business of those years.

The practical result is bad for two reasons. One, that for a whole cycle the results shown for operations are not dependable because in effect they are overstated during the war period and understated during the post-war period, and, another, that the practical overstatement of apparent earnings during the war period may encourage the distribution through dividends of cash resources which should be retained to meet the exigencies of the post-war period. Assuming conditions following this war will in some ways approximate those following the last war, accountants particularly feel the desirability of encouraging the establishment of special reserves for costs and losses arising out of the war, even when the provision therefore cannot be based on definitely foreseeable contingencies.

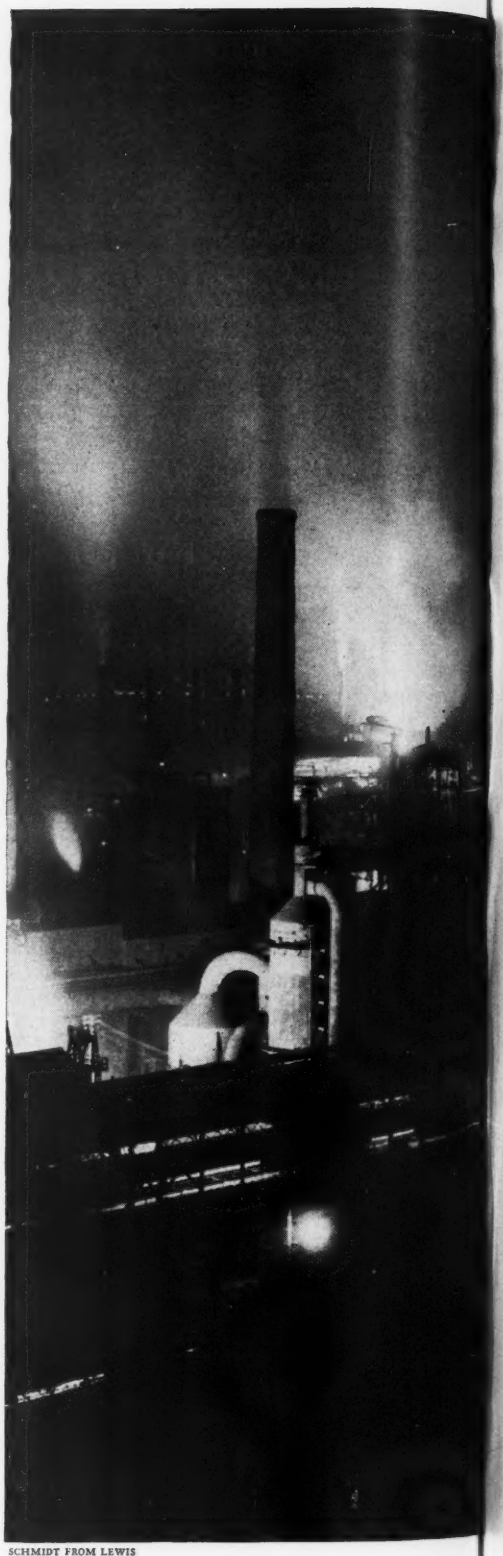
Such a policy, in principle, has received encouragement from Government authorities. For instance, Ganson Purcell, chairman of the Securities and Exchange Commission, in addressing the Twenty-eighth Annual National Business Conference at Babson Park, Mass., last October, said that corporations will need great resiliency if they are to make a reasonably smooth transition back to the production of civilian goods. Industry should take advantage, he said, of its increased defense earnings to strengthen itself against the repercussion of a post-war letdown. Reserves not needed for defense activity must be carefully stored up against the day when they will be needed for the vital transition to peace-time production. A month later he expressed himself in the same manner while speaking before the Economic Club of Detroit.

Matter of Judgment

When setting up reserves for possible war costs and losses, the amount of which is not presently determinable—reserves which may be prompted largely by the expectation or fear that the experience of the past will repeat itself in the future—it will be largely the judgment of the management which must govern in the circumstances of each particular case. It may be said that these reserves or parts of reserves are discretionary with the management as a matter of conservative business administration. Since they are not presently determinable within the limits necessary for definitive accounting they are obviously not compulsory reserves, without which a financial statement (whether income statement or balance sheet) would be incomplete.

The creation of war reserves and the inclusion of them in financial statements are of primary importance in respect of the income statement. This is especially so because of the increased recognition given in the present day to the significance of the income statement. In the stock market, when determining the value of securities today, the emphasis is almost entirely on the operating results that are shown from period to period.

As already indicated, those costs and



SCHMIDT FROM LEWIS

Reserves may be needed to amortize "costs of additional facilities the usefulness of which is expected to be substantially reduced at the termination of the war."

LAMBERT FROM LEWIS

"One of the disturbing experiences of business in and after World War I was the taxation of what appeared to be large profits earned without any offset for losses subsequently sustained which really grew out of war conditions."

losses which are applicable against current revenues, and which can be measured and allocated to fiscal periods with reasonable approximation, would be dealt with in the income statement in the ordinary way, and the net income figure shown after the provision of such reserves. Expenditures or losses subsequently incurred or sustained would be charged against such reserves, and any unneeded portion thereof should be dealt with in accordance with the general practice relating to the correction of estimates made in prior years.

If the unused balances of the reserves are not so much in amount as to distort the income statement of the period in which the reserves are closed out, the amount thereof may well be included in the income statement. When, however, amounts are so large that they would distort the current income statement, it would seem desirable to transfer the amounts to the credit of surplus.

When reserves are created for possible war costs and losses of the discretionary class, it seems desirable that the provision be shown in the income statement as a deduction from the income for the period as computed on the usual accounting basis. Obviously, the clearest presentation and disclosure of such reserves is to be sought and, insofar as feasible, the purpose and amount of such reserves should be clearly set forth in the financial statements.

Broadly speaking, the mandatory reserves are a deduction to be made before arriving at any figure described as net income, whereas the discretionary reserves are in the nature of deductions from, or allocations of, net income.

Because of the effect on financial statements of abnormal conditions during the war, it may be undesirable to use the common term "net income" in relation to any figure in the income statement of either the period in which relatively large discretionary reserves are made or of the later period in which costs or losses for which they are provided are ascertained and taken into account. For such cases, the Committee suggested consideration of the following procedures:

1. In the period in which the reserves are created:

A. Prepare the income statement to show the balance of income remaining after providing for all reasonably determinable costs and losses, including any mandatory reserves;

B. Deduct from such balance provisions coming within the scope of discretionary reserves;

C. State the remainder as the amount of income transferred to earned surplus.

2. In the period in which the costs or losses are determined and brought into account:

D. Prepare the income statement to show the balance of income remaining after providing for all reasonably determinable costs and losses of the period then current;

E. Show as separate charges in the income statement those items related to prior periods for which provision was made in 1.B. above;

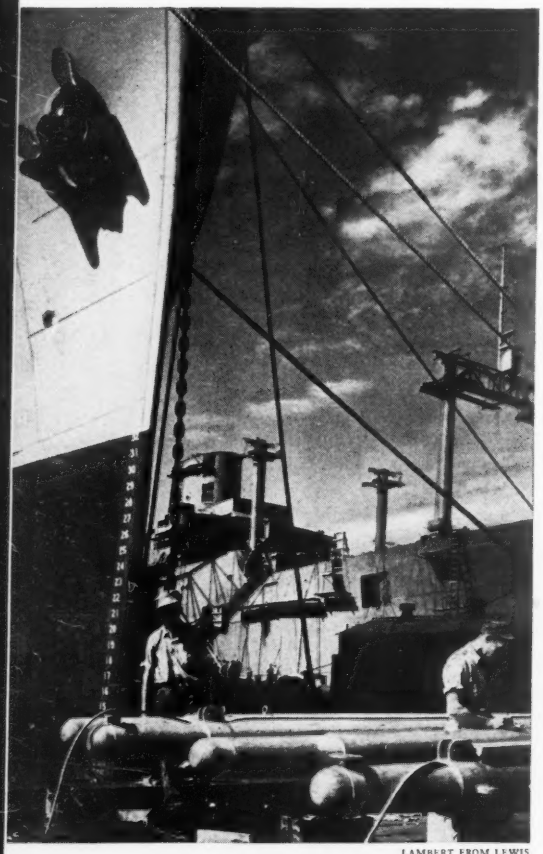
F. Show, as a credit in the income statement, a transfer from the reserves created under 1.B. above to the extent that they have been applied against the items in 2.E. above;

G. State the remainder as the amount of income transferred to earned surplus.

From a review of some of the published reports which have been issued in recent months it would appear that quite a number of corporations are setting up war reserves of one kind or another but that the description of them is in many instances in only general terms. The indication is that it is not yet the general practice to describe or identify the provisions for such reserves with particularity. One reason for this may well be the difficulty of foreseeing the particular needs that will eventually have to be met, such as expenditures in the post-war period for plant rearrangement, retooling and other plant adjustments, reestablishing the business to meet civilian needs, and realigning and

training personnel, as well as to provide for those losses that may eventually be sustained in the way of obsolescence of plant which was highly essential and useful during the war period but which may be of very limited use after the war is over.

The uncertainty of just where the



LAMBERT FROM LEWIS

Perhaps especially difficult to estimate are provisions for "losses from destruction of property as a result of the action of armed forces or from seizure of property by the enemy."

lightning will strike, and therefore precisely where the lightning rods should be established, naturally makes it difficult for boards of directors to determine with particularity the reserves to be set up and especially to describe definite purposes therefor.

Consequently, one sees in quite a number of published reports where the need for war reserves is recognized, and provision therefor is made, the description thereof in general terms, such as reserve for contingencies or provision for post-war readjustments. In some cases provisions are being made more definitely as, for example, by amortizing war plant expenditures over, say, three years instead of over the five-year period provided in the statutory amortization allowance.

The Institute Committee deemed it desirable to include the following words of caution in its bulletin:

> It has long been established in accounting that reserves may not be used for the purpose of arbitrarily equalizing the reported income of different accounting periods. Reserves for dividend equalization have no relation to the determination of income, and such reserves should be created only by charges to earned surplus. No charge may be made thereto except for dividends or for amounts returned to earned surplus.

For a number of years past there has been an increasing realization, not only on the part of accountants but on the part of financial writers and students of corporate finance, of the danger of attaching undue importance to a single figure such as "net income per share." The Institute Committee in an earlier bulletin emphasized this danger. It feels that today the danger is so great as to make undesirable in many cases the presentation of a figure which would be designated without qualification as "net income." It is for that reason that the Committee suggested the special form of income presentation to which reference has already been made. The Committee recognizes that still other procedures may be desirable in the judgment of management and the independent auditor to reflect the circumstances of particular types of business enterprises or further changes in business conditions.

Another basic feature of financial statements, which has received increasing recognition over the years, is that a year is for most enterprises only a relatively small part of a business cycle and that, consequently, while many items in financial statements are determinable at the year end with substantial accuracy as, for example, cash and receivables on the one hand and ordinary liabilities on the other, there are others which by their very nature involve estimation or approximation and require the exercise of informed judgment within a comparatively wide range of reasonableness.

The application of recognized accounting principles, as for example in the case of inventories, is not a purely mathematical performance, and in any event represents merely a "half-way stop" on the journey through a business cycle. The tentative character which financial statements may thus be said to have when prepared for relatively short periods is accentuated under war conditions because of the change in the methods of doing business and because accounting measurements are so largely dependent on the course and duration of the war.

The comparability of current statements of income with those of prior periods is also less to be relied upon under these abnormal conditions.

One of the disturbing experiences of business in and after World War I was the taxation of what appeared to be large profits earned without any offset for losses subsequently sustained which really grew out of war conditions. To have found that a substantial part, or in some cases all, of the profits apparently earned during the war period was

(Continued on page 31)

THE author, Mr. Walter A. Staub, is the chairman of the American Institute of Accountant's Committee on Accounting Procedure which has reported upon war-time reserves (AIA Accounting Research Bulletin 13) and presented this subject before the 1942 Financial Division Conference of the American Management Association (Financial Management Series 69). He has been active in accounting associations and has written books and papers upon accountancy and tax subjects.

WHO SUPPLIES THE RETAILER?

WALTER MITCHELL, JR., *and* WILLIAM HAYES
Director of Surveys *Research Staff*
RESEARCH AND STATISTICAL DIVISION, DUN & BRADSTREET, INC.

IN the good old times when the economy was simple, we are told that the cobbler made shoes and sold them on the spot, that the cottage weaver's customers took the yard goods right off the loom. The same mechanical developments which lead to quantity manufacturing often separated the jobs of making and retailing so far in space or character that a wholesaler was needed to bridge the gap. Now the man who sells goods to the public is described as a retailer. Generally he does not make the goods but buys from the maker or from someone who assembles goods and distributes them. A study of the retailers' buying habits therefore becomes an effort to describe part of the function of the wholesaler in the American system of distribution.

Peace-time academic debates on this subject have been superseded by urgent and specific war-time need for better information. When ceiling prices must be set to prevent price inflation, the question of whether to allow room for the wholesaler between ceilings becomes acute and in some cases even bitter.

Both Government and business have lacked information regarding the relative importance and necessity of the wholesaler's function in the various trades. For instance, a Government dictated price structure which leaves no room for the wholesaler may only confirm normal distribution practices in one trade, yet cause a costly and even disastrous disruption of another trade. It would be inflationary to allow a wholesaler margin where no wholesaler is needed but it would be a criminal waste of natural resources to force 100 manufacturers to send salesmen and merchandise shipments direct to all their retailers, when the wholesaler could do the same job with a single salesman's call and a single shipment.

In response to a survey* conducted by the DUN & BRADSTREET Research and Statistical Division, more than 2,600 independent retailers answered questions about the proportion of their 1941 merchandise bought from wholesalers and manufacturers. These responses have been grouped into eighteen important trades and in two or three size groups within each trade, in the accompanying table.

Paradoxically, the survey results show how the wholesaler can be skipped in the distribution system and at the same time why that system cannot hope to function efficiently without him. The typical small dealer in three out of four trades buys 80 per cent or more of his goods from wholesalers, according to the survey results. If these small independent retailers are the backbone of America's system of private enterprise, then the wholesaler is the heart of American enterprise, feeding the blood which keeps the backbone alive. Like so many statistics, these survey findings merely serve to confirm in specific terms a declaration often made by economists and wholesalers.

Just as plainly, the results show that the wholesaler has no stranglehold on that portion of American business where his services are not needed. Regardless of trade, the large retailer apparently finds price advantages and perhaps other inducements in dealing direct with the manufacturer when he can buy in large enough quantities to justify the cost of the manufacturer's sales contact and to permit shipment in carload lots or other equivalent low cost haulage.

The retail trades analyzed have been arranged (see table) in the order of the importance of the wholesaler to the small retail units. Examination of those trades which form the extreme examples at the top and the bottom of the chart, serves to point a lesson regarding the nature of our distribution structure. At the top is a group of four trades in which both large and small dealers lean heavily on the wholesaler and even the larger stores buy 80 per cent or more of their requirements through wholesale channels. These are Eating and Drinking Places, Automobile Accessory Dealers, Food Stores, and General Stores with Food.

LAWRENCE D. THORNTON

* The only other recent study covering approximately the same ground was part of the U. S. Census of Manufactures in 1939, and relates to the channels through which manufacturers sell their goods. This survey of buying channels of retailers is a picture from the other end of the river; it complements the Census tabulation.

At the other extreme are three trades in which even the small stores buy one-fourth or less of their requirements from wholesale distributors: Men's Clothing, Women's Wear, and Shoes.

Both of these groups represent trades where each store must handle a fairly large assortment of small items. Moreover, the merchandise or raw materials used by each of these groups of trades is produced by an assortment of large and small manufacturers. Apparently "style" is the most important factor of difference and "perishability" is second.

Just above the three previously named trades, which depend heavily on manufacturers as source of supply, there are three in which the large stores buy one-half or less of their requirements from wholesalers, while the small operators depend much more heavily on the wholesaler. One of the three, Family Clothing, is doubtless similar in character to the clothing lines previously discussed. The other two are alike in handling bulky, heavy goods: Lumber and Building Materials Dealers, and Furniture Stores. Since it takes comparatively few units of merchandise (suites of furniture, thousands of board feet, tons of plaster, etc.), to make up a carload or truckload, even the medium-sized independent merchant finds it possible to buy a substantial part of his goods direct from the producer. Consequently, the difference in buying habits between the medium and small operators is marked, while the medium-sized and large concerns pursue more nearly similar policies.

An interesting contrast is found in the story told by hardware retailers. Apparently only the large operator in the hardware and electrical appliance trades can economically buy any substantial part of his goods direct from manufacturers, while the small and medium-sized stores pursue relatively similar buying policies, both depending mainly on the wholesaler.

Throughout the field of retailing the influence of size of store on buying channels, although uniform in nature, varies according to the type of merchandise handled. In such staple lines as food, drugs, heating, and plumbing equipment, and hardware, a large number of items of relatively small unit value must be offered in a single store. If the retailer attempted to buy each item direct from its manufacturer, he would doubtless cause only a temporary boom in railroad travel and travelling men's hotels, and he would soon find that the negotiation required an unreasonable amount of his time as well as an unreasonable expense for the producer.

Stores of the type that carry not only some staples, but also some style or specialty goods—jewelry, electrical appliances, clothing, etc.—exhibit greater variations in the proportions purchased from wholesalers by small and medium-sized establishments. The probable explanation is that the medium-sized store in these fields carries a larger proportion of specialty articles. Manufacturers of specialties generally prefer to market them direct to retailers, rather than take the risk that a wholesaler may not promote them as vigorously as some competing product.

It is not possible to determine from this survey whether the proportion of goods purchased from wholesalers and manufacturers has changed in the last three years. It is true that the proportion of their requirements which independent retailers report purchasing from wholesalers is, in almost every trade, larger than the percentage of manufacturers' sales in that line reported in the 1939 Census as made through wholesalers. This probably results not so much from a change in the status of the wholesaler during that period, as from the fact that most of the reports in the DUN & BRADSTREET survey come from small and medium-sized stores whose proportion of the total business of the country is not commensurate with their number.

Nor does the survey indicate whether or not buying channels are changing as a result of the present difficulty of retailers in obtaining adequate supplies. All that can be said is that the comments volunteered in this survey indicate that merchants are placing larger orders and buying from more suppliers than previously, in the attempt to anticipate their needs for longer periods. There is a hint that buying from manufacturers is becoming more difficult, especially for the smaller concern, in the comment: "It is impossible now for the little man to buy anything from the manufacturers, since most of them have pledged their entire output to their best customers, who are, of course, jobbers and wholesalers."

BUYING CHANNELS OF INDEPENDENT RETAILERS

(Based on replies from 2,637 stores)

	Number of Stores Reporting	Percentage of Goods Purchased from Wholesalers by: Average Store	Stores with Annual Sales Volume: Under $20,000	$20,000-$50,000	Over $100,000
Eating and Drinking Places	103	98	100	95	*
Food Stores	611	95	98	90	88
Automobile Accessory Dealers	82	95	95	95	*
General Stores (with food)	435	90	90	90	80
Hardware Stores	149	85	90	80	40
Electrical Appliances and Supplies	152	85	90	75	35
Heating and Plumbing Equipment	54	85	90	85	*
Drugs	147	80	85	75	*
Jewelry	65	75	90	50	*
Variety	105	75	80	70	*
Dry Goods and General Merchandise Stores	86	73	80	60	*
Lumber and Building Materials Dealers	124	55	80	55	50
Family Clothing Stores	86	50	60	40	*
Motor Vehicle Dealers	92	35	*	60	28
Furniture Stores	123	30	60	30	18
Men's Clothing Stores	61	15	25	10	*
Shoe Stores	76	15	15	15	*
Women's Wear Stores	86	13	23	5	*

* Figures are omitted because number of stores is too small to provide reliable data.

COLOR-CONDITIONING *in* MODERN INDUSTRY

HOW SCIENTIFIC USE OF COLOR RELIEVES STRAIN IN FACTORIES AND OFFICES

FABER BIRREN
Industrial Color Consultant, Faber Birren & Company

THE curious power of color to influence human moods is well recognized. Yet being a thing emotional, most authority in its use has been left with those having an esthetic attitude. Color, however, is by no means a matter that concerns beauty alone. Today a new science is on the rise, a science that draws less from art than from the fields of physiological optics, psychiatry, and psychology. Color is being engineered in the true sense of the word, to do its efficient job in improving the health, morale, and manual skill of the modern industrial worker.

Though the magic of color has for centuries been skeptically admitted, many of its champions have recklessly given themselves to incredible fancies and claims. Because of its universal appeal color is an easy thing to exploit. But a more sober appreciation exists today, chiefly through the patient efforts of scientific research to distinguish between the occult and the real thing.

That color has something to do with life processes is being revealed. In experiments with plants red has been found to be productive in the growth of wheat and the flowering of certain plants. In psychiatry color has been successfully employed to correct certain adverse mental states (which bring about physical distress) by arousing thoughts and moods favorable to recovery. Mental and muscular responses, heart action, respiration rate, have been tested under different environments of color. From these findings the applied science of color goes into action.

Everything seen by the human eye is colored. And every sensation of color owes its reality to light. While ample light is naturally essential to good vision, the human eye must rely upon contrast to distinguish what it sees. Thus color is in every way as important as light. This, incidentally, is a fact too frequently overlooked in lighting practice.

As a case in point, a worker standing at a lathe may suffer eye strain by trying to discern a piece of dark metal against an equally dark and oily background. An increase in illumination may afford little if any improvement—for the dark metal may still lack sufficient contrast with the ground. A simple coat of paint applied to the machine, however, may do the job perfectly—with no increase in lighting. A black button on a white card may be as visible under one foot-candle of light as a black button on a black card under a thousand foot-candles. Illumination alone is not enough, for it lacks significance without contrast in color.

Effects of Eye Strain

There are many strange interrelations between ease of seeing and the functioning of the human body. Where there is eye strain physical reactions are to be noted in a generally nervous condition, increased muscular tension, more rapid blinking of the lids, decreased heart action, headache, nausea, fatigue. M. Luckiesh, one of America's greatest authorities, writes: "It is conceivable that the reflex effects of critical seeing and the prevalence of mortality cases from heart trouble in occupations demanding critical seeing may be related." Surely just as severe dissipation wreaks its havoc on the eyes, so also does abuse of the eyes seem to punish the body.

What are the causes of eye strain? They are unquestionably of muscular rather than retinal origin and may be attributed to such things as insufficient level of illumination, glare, prolonged convergence of the eyes, distractions due to bright areas on the boundaries of vision, continual pupillary adjustments, severe adaptive changes from light to dark, wrong contrasts between work and surrounding areas.

The engineering of color to correct the above has much to offer management and labor beyond the physical welfare of the worker. With improved visual efficiency go also the attendant advantages of

—increased production.
—higher manual skill.
—fewer seconds.
—lower accident hazards and insurance rates.
—higher standards of plant housekeeping and machine maintenance.
—improved labor morale.

For with more compatible working environments, management does a better job of public relations and achieves a finer respect not only within the organization but within the community itself.

The specification of color in modern factories and offices is perhaps best told through a series of case histories. Then by piecing these smaller parts together the larger picture of an ideally illuminated and decorated plant may be more readily visualized. For the discussion of actual practices will show how theories have been put to use. After all, this applied science of color in industry is new, and from its successful beginnings should come a more widespread appreciation of its value—particularly in these days when production schedules are crowded.

In the large general office of a factory, illuminated by good natural light from windows and skylights, there were persistent complaints of eye strain and fatigue. The employees (mainly women using accounting machines)

showed definite signs of restlessness and irritability and seemed frequently distracted from their work. Tests showed that light intensity was three times greater on a vertical plane than on a horizontal. Walls, painted in a light cream, were an evident source of glare and irritation.

The reactions on vision were as follows: The walls being brighter than the machines, constantly drew away the attention. In looking up, the general brightness of the interior tended to reduce the opening of the pupil. In directing the eyes again at work, there was a momentary halt period during which the employee had to wait for her eyes to readjust themselves. (The accommodation of vision is quick from dark to light, but slow from light to dark.)

By repainting the walls to a softer and deeper tone, complaints largely disappeared, and a noticeable improvement was shown in the efficiency and concentration of the office staff.

In a large windowless drafting room, artificially illuminated with a good flood of fluorescent light, a change from white to soft bluish walls effected instant relief from eye strain. In this instance the visibility of grayish tracing cloth was improved, probably through the removal of distracting wall areas which previously had been brighter than the drawings and therefore of higher interest. The general, stuffy feeling of the interior (air-conditioned) was likewise overcome, and the normal temperature of the room (about 74°) psychologically lowered.

In a hosiery mill a topping operation involved the severe eye task of looping fine threads on a series of needles. The lighting conditions were apparently satisfactory. The employee, however, had to concentrate on a relatively small field, back of which was mere empty space. Brightness contrast was not only too great, but the outer fields of vision were too often exposed to the distracting movements of other workers.

Special backgrounds were constructed behind the machines to block out the empty space. These screens, painted a light grayish blue, also reduced contrast and aided the eye in maintaining a comfortable adjustment. The result is well indicated in the report of management. "We have found that the experimental use of the blue backgrounds has worked out satisfactorily. The operators can do much better work with less eye strain. It has not been possible to determine how much improvement has resulted from the use of this blue background in terms of increased production, but there is a definite improvement in that the operators of the topping equipment would not willingly do without this if their choice in the matter were considered."

Where the worker must be safeguarded against industrial accidents, the right use of color has several profitable by-products. For when the conditions of seeing are properly adjusted he is able to increase his production, improve the quality of his operations, as well as spare his own bodily parts. In one machine operation minor accidents and seconds were both simultaneously cut down when better contrast was developed between the materials handled and their background. Functionally, right color perhaps is not so much of a stimulus to better workmanship as it is a pleasant relief from those handicaps which unconsciously force bad workmanship. Give the worker a chance to see clearly, and his hands will automatically work with more facility. Accidents will be minimized. His health will improve, and his general emotional state will accordingly benefit.

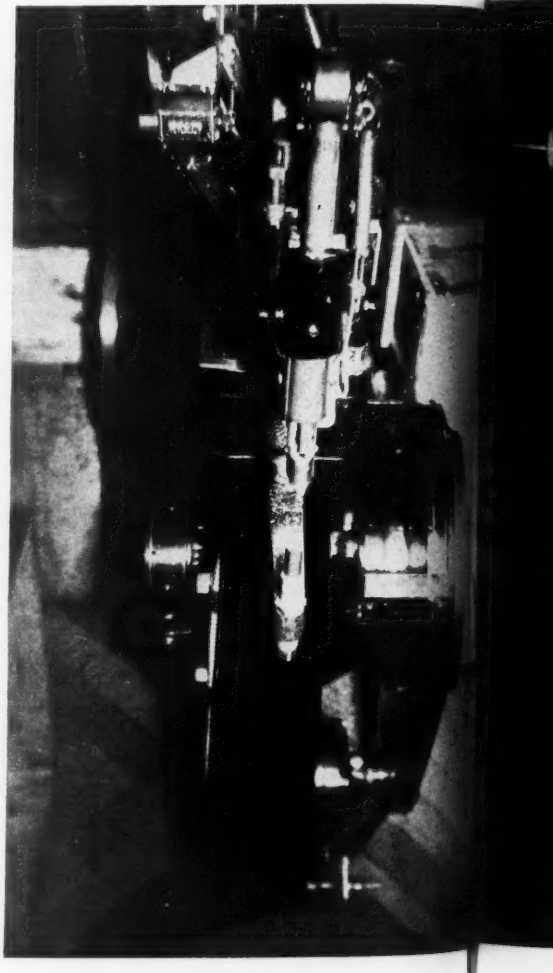
Now to summarize a few more principles of color-conditioning, here are further problems to be met and further results to be expected.

While the factory of a decade ago might be described as a place of dim lights and ashen hues, the work of the lighting engineer has transformed all this, until today the modern industry is a brilliant affair indeed. But with more and better lighting has come the need for scientific attention to those areas and objects which light reveals—machines, walls, floors, ceilings.

It is almost a rule, borne out by extensive practical research, that if dingy surroundings are bad, the next worse condition is that of too much white. A good white paint may be mighty efficient in light reflection, but if it is, it also troubles human eyes and interferes with manual skill. It must be realized that the pupil of the eye accommodates itself to that level of brightness which exists over its larger field of view. An eye adapted to brightly illuminated white walls is hardly in a right condition to examine a piece of grayish metal, black leather,

Before

Severe eye strain may result from looking at a piece of dark metal against a background equally as dark.



A ligh power

or tannish wood. Two alternatives are offered by way of improvement. If the general lighting of the interior is ample, then the walls must surely be toned down, so that the conspicuous thing within the room will be the task and not the environment. Or if the illumination is weak, supplementary lighting may have to be installed—the walls left as they are, white or otherwise.

If the interior is cold and vaulty, the psychological benefits of a warm tone (ivory, buff) should by all means be capitalized. Should the working operation involve high temperatures, then the colors to introduce are cool ones (blues and greens).

Should the task be confining (as it usually is) then the color should be deprived of all possible monotony—as well as adjusted in brightness to relieve eye strain. Practical experience has shown a soft grayish blue-green to be ideal in many installations. Being rather protean in aspect (not green and not blue, not light and not dark, not rich and not blandly neutral), it is at once livable and stimulating.

Seldom if ever should the colors be pure, lest they compete for the attention of the worker and defeat rather than aid his expected concentration.

Where the task demands prolonged convergence of the eyes and a clear discernment of fine detail, there should be space to peer through and color to see that will afford needed relaxation. Soft blue end walls in one factory have improved work and lessened the need for lengthy rest periods and "space-gazing." The eye, to rest thoroughly, needs a distance of at least twenty feet, and a cool color to see rather than a warm one.

While good visibility requires contrast, too much of it is trying on the eyes. When working with white or light objects, the background or surroundings should never be too dark. If they are, the larger field size will condition the eye for dark-adaption, open the pupil too wide, and cause uncomfortable blurs and after-images. Working with dark objects, the surroundings should not be too brilliant. In this instance the pupil opening will become too small, with the result that vision will be taxed to see clearly, production will suffer, and the general nervous tension and fatigue of the worker will increase.

The ideal situation is that in which illumination is ample, and the surroundings a trifle lower in brightness than the object of concentration. Where dark materials are concerned, supplementary lighting may be necessary to effect a right condition.

Today industrial accidents show marked increase. Though many may be caused by the influx of inexperienced labor, and by the general cry for a higher rate of output, surely the science of color-conditioning may prove an effective checkmate. If the seeing condition is poor, the worker is exposed to a number of hazards:

—Having insufficient visibility the dangers of his task automatically mount.

—In his effort to carry out his assignments his entire body is strained.

—Glare, dimness, poor contrast, show deleterious effects in the severe dilation of his pupil during the course of the day and the collapse of the visual fields of his retina.

—Being nervous, fatigued, and with his eyes far below par in acuity, he naturally risks accident. His work falls off in quality, the peripheral regions of his vision are less sensitive (particularly to motion), and the general resistance of his body may be lowered to make him more susceptible to illness.

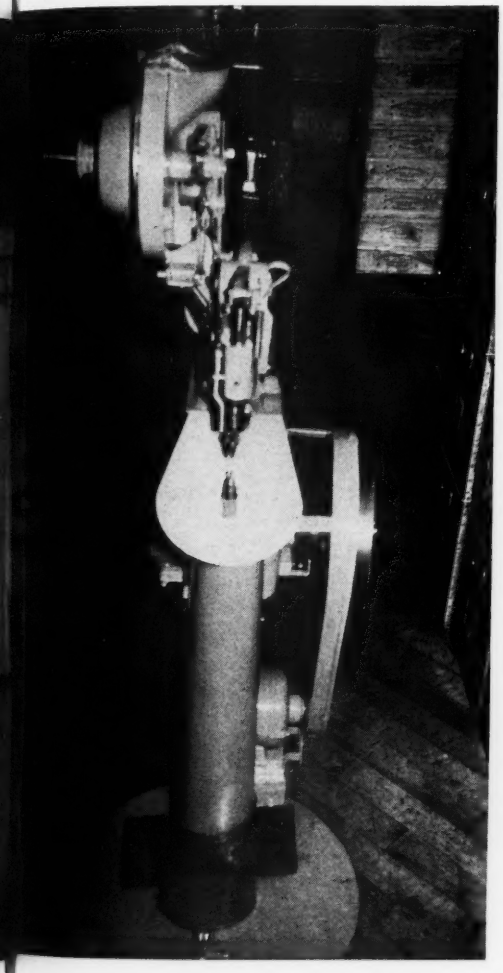
To relieve all this, light and color must be intelligently engineered. As humans we have the remarkable capacity of concentrating our efforts under adverse situations through sheer power of application. We can read a telephone directory in the dim environs of a telephone booth, run that last hundred feet to a departing train, drive that last mile home at three in the morning. But these are not the conditions under which our tasks are best accomplished by any means.

Yet in industries throughout the country men and women labor at tasks in every way as trying as the reading of six-point type in a dark booth. They "drive that last mile home" as they struggle to operate a machine at the end of an eight-hour day. Management, in a casual way, may too often look for two minutes at an operation and, not finding it severe, fail to understand why someone else can't look at it all day. And because human eyes will stand up under great abuse, the worker himself may be fooled. He may

(Continued on page 30)

After

A lighter color and special target are applied to the power riveter to increase production and reduce hazard.



FREE LANCE PHOTOGRAPHERS GUILD

LATIN AMERICA *as a* CREDIT RISK

ALEXANDER O. STANLEY
Manager, Foreign Sales and Research Division
DUN & BRADSTREET, INC.

IN the past two years Latin America has been brought closer to all of us. Interest in its international affiliations, once of serious concern here, has lately been subordinated to interest in its economic importance as a source of supply for vital materials as well as an outlet for some of our own products.

With important sections of the Far East and Continental Europe cut off, we have become acutely aware of the need for a closer and less exposed source of supply, not only for such musts as rubber and tin, but also for many minerals, metals, and food and drug supplies.

AVAILABLE soon upon request is a supplementary booklet showing the extent of credit, sight draft and cash operations, collection percentages, and credit losses for 1941, market by market and line for line.

These, and other recent developments binding all the Americas closer together economically, prompted the Foreign Research Division of DUN & BRADSTREET to undertake a survey among manufacturers and export brokers in the United States dealing with Latin America to obtain data bearing on commercial credit relationships under the changing conditions.

In 1941, for the first time, Latin America enjoyed a favorable balance of trade with us. Its net gain on the two-way trade amounted to $106,072,000, as compared with an adverse balance in 1940 of $63,249,000, a difference of more than $169,000,000, reports the U. S. Bureau of Foreign and Domestic Commerce. This has already favorably affected our commercial relations with Latin America and is bound to influence profoundly our future dealings with its 29 markets.

This trend is continuing; ten South American countries are authoritatively reported to have accumulated $200,000,000 in gold and foreign exchange during the past fourteen months.

Our import balance of trade with the 20 Latin-American Republics increased substantially during the first quarter of 1942 as compared with the corresponding period of 1941, both in terms of merchandise imports and of imports of gold and silver.

In merchandise trade, net imports increased 21 per cent from $60,000,000 to $73,000,000. This shift to a net import balance has occurred despite substantial increase in United States exports to these countries during 1941 and the first quarter of 1942. Merchandise import balances were particularly heavy

from Argentina and Brazil and export balances were largest in our merchandise trade with Mexico and the Republic of Panama. (Figures from the U. S. Bureau of the Census.)

Those countries with a net import balance have been developing a surplus of sales over purchases, leading to an accumulation of dollar exchange. Retirement of their public and private commitments in the United States should result. Exchange problems are rapidly becoming a thing of the past. One authority maintains that the rate of exchange of a number of Latin-American currencies would show a substantial increase if Government control were relinquished.

What effect has all this had on our ordinary commercial credit transactions with Latin America? The question is even more significant when we realize that our exports to that area in 1941 were running towards the billion dollar level, based on the rate of sales for the first nine months.

Sales and Credit Data

In this DUN & BRADSTREET survey of Latin-American credit transactions, data were submitted by 514 concerns which last year sold to 37,807 accounts throughout Latin America. This group of exporters had an impressive aggregate of 7,540 years of selling experience, and their sales over this period were reported at $750,328,721. Credit losses amounted to $2,837,260, or two-fifths of 1 per cent during the year (table II). This low credit loss applies to all trades except miscellaneous goods.

A comparison of the 1941 survey with that conducted in 1937 by DUN & BRADSTREET, INC., reveals these interesting trends:

	1937	1941
CONCERNS REPORTING	308	514
TOTAL SALES REPORTED (millions)	$18.3	$103.
Percentage of Credit Sales	66	49
Percentage of Sight Draft Sales	23	26
Percentage of Cash Sales	11	25
Percentage of Prompt Payment on Credit and Sight Draft Sales	77	88

This 1941 survey shows a substantial improvement in the credit paying records with 88 per cent of all payment (both credit and sight draft) prompt and only 12 per cent slow. Of credit operations, 90 per cent resulted in prompt payment, while 87 per cent of sight draft bills of exchange (the C.O.D. of foreign trade) were cleared through promptly. Table III shows the breakdown by trade groups, while table IV shows the analysis for each of the 29 markets in Latin America.

The following trade groups reported prompt credit payments on 90 per cent

I. BALANCE OF TRADE, FIRST QUARTERS, 1941 AND 1942

Export Balance, +; Import Balance, —; In thousands of dollars
Figures from the U. S. Bureau of the Census

COUNTRY	MERCHANDISE 1941	MERCHANDISE 1942	MERCHANDISE AND GOLD AND SILVER 1941	MERCHANDISE AND GOLD AND SILVER 1942
Argentina	—18,619	—24,435	—18,653	— 24,532
Bolivia	+ 134	— 5,340	+ 39	— 5,384
Brazil	—10,271	—31,771	—10,250	— 31,742
Chile	—11,393	—12,950	—13,437	— 14,024
Colombia	+ 510	— 8,609	— 4,903	— 15,292
Costa Rica	+ 117	— 231	— 45	— 401
Cuba	—11,100	— 8,019	—11,227	— 8,035
Dominican Republic	— 332	+ 517	— 407	+ 448
Ecuador	+ 477	+ 1,218	— 239	+ 823
Guatemala	— 2,136	— 3,313	— 2,187	— 3,330
Haiti	— 24	— 307	— 26	— 314
Honduras	+ 7	+ 331	— 651	— 64
Mexico	+ 5,884	+10,145	— 3,465	— 24,124
Nicaragua	+ 752	— 207	— 1,178	— 2,223
Panama, Republic of	+ 3,104	+ 5,169	+ 3,065	+ 5,164
Paraguay	— 590	— 458	— 590	— 458
Peru	+ 1,541	+ 2,953	— 1,556	— 1,614
El Salvador	— 462	— 3,057	— 808	— 3,315
Uruguay	—13,799	— 1,883	—13,843	— 1,881
Venezuela	— 3,883	+ 7,271	— 4,927	+ 6,203
TOTAL	—60,082	—72,976	—85,285	—124,094

II. SALES VOLUME AND CREDIT LOSS EXPERIENCE

Totals for entire Latin-American export experiences of 514 exporters

PRODUCT GROUP	CONCERNS REPORTING	NUMBER OF CONCERNS CLASSIFIED AS TO YEARS OF REPORTED EXPERIENCE: 1 yr.	2-5 yrs.	6-10 yrs.	Over 10 yrs.	SALES (Thousands of Dollars)	LOSSES	LOSS PER CENT
Food	51	12	15	4	20	117,603	39	0.03
Textile	74	9	36	9	20	91,248	44	0.05
Wood	12	3	4	1	4	20,370	6	0.03
Paper	26	..	12	4	10	22,880	42	0.2
Printing and Publishing	10	2	2	1	5	11,034	1	0.009
Drugs, Chemicals, Paints	55	3	24	12	16	126,517	10	0.008
Petroleum	6	..	1	..	5	20,668	5	0.03
Rubber	11	1	3	..	7	9,694	15	0.2
Leather	28	6	10	3	9	41,643	28	0.07
Stone, Clay, and Glass	19	3	8	3	5	17,285	16	0.1
Iron and Steel	45	4	15	8	18	47,148	125	0.3
Non-ferrous Metals, Products, and Minerals	14	1	4	3	6	13,697	6	0.04
Machinery and Electrical Equipment	88	9	33	13	33	111,126	681	0.6
Transportation Equipment	12	3	1	1	7	71,669	265	0.4
Miscellaneous Goods	62	6	21	9	26	27,681	1,548	6.0
Miscellaneous Services	1*	..	1	..	..	..	..	..
ALL REPORTING CONCERNS	514	62	189	71	191	750,328	2,837	0.4

* Only one reply was received from this group. Sales amounted to $57,997, while losses were reported at $138 or 0.2%.

or more of their sales: Miscellaneous Services; Petroleum Products; Food Products; Iron and Steel Products; Rubber Products; Printing and Publishing; and Stone, Glass, and Clay Products. The Machinery and Electrical Equipment; Leather Goods; Textile Products; Wood Products; Drug, Chemical, and Paint Products; Paper Products; and Miscellaneous Goods groups reported prompt payments at 80 per cent or better. Only two lines reported prompt collection below 80 per cent, Non-Ferrous Products and Metals, 74 per cent, and Transportation Equipment, 58 per cent.

The best record for credit payments (90 per cent or more prompt collections) was in the following countries: British Honduras, Virgin Islands, Surinam, Peru, British West Indies, Guatemala, Salvador, Panama, Mexico, Netherlands West Indies, Dominican Republic, Ecuador, Cuba, British Guiana, and Haiti. In the following countries prompt payments were reported at 80 per cent or better: Paraguay, Puerto Rico, Chile, Costa Rica, Argentina, Brazil, Uruguay, Venezuela, Bolivia, and French Guiana. The least favorable showing was by accounts in Nicaragua, 74 per cent; Colombia, 72 per cent; Honduras, 71 per cent; and the French West Indies, 66 per cent.

Credit Losses Low

Credit losses for 1941 averaged less than one-sixteenth of 1 per cent; $28,781 on a volume of credit sales of $50,107,003.

This extremely low loss rate compares favorably with experiences in many lines of domestic trade and, from the reports of those participating, is not a recent development but rather has been consistently true in their many years of operation in that field. Aside from the high commercial morality found in many Latin-American accounts, some explanation of this remarkable showing perhaps can be found in the commercial codes in force in most Latin-American countries. When it is considered that the prepon-

III. Credit Experience, by Products, 1941

Based on Reports from 514 Exporters. Dollar amounts in thousands of dollars

Product Group	Accounts Sold	Dollar Sales: Total	Credit	Sight Draft	Cash	Payment Record (Percentages): Prompt Credit	Prompt Sight Draft	Losses on Credit Sales: Dollars	Per Cent
Food	6,199	9,792	3,512	3,873	2,405	96	88	3	0.2
Textile	5,383	10,000	5,558	3,840	602	87	84	4	0.08
Wood	506	953	922	29	1	87	93	*	0.02
Paper	2,401	2,517	879	1,290	348	81	89	1	0.2
Printing and Publishing	179	98	65	19	13	93	100	*	0.02
Drugs, Chemicals, Paints	4,883	8,423	4,222	2,130	2,070	86	88	8	0.2
Petroleum	646	5,923	3,989	1,043	890	98	95	*	0.02
Rubber	1,334	1,789	740	839	209	94	84	*	0.02
Leather	1,607	1,818	798	651	368	89	87	1	0.2
Stone, Clay, and Glass	1,969	1,668	921	564	182	91	96	*	0.05
Iron and Steel	3,522	12,046	2,607	6,546	2,892	95	95	*	0.01
Non-ferrous Metals, Products, and Minerals	999	6,255	388	98	5,768	74	78	*	0.1
Machinery and Electrical Equipment	3,168	27,351	15,553	4,050	7,747	89	88	1	0.07
Transportation Equipment	426	11,341	8,264	754	2,321	58	79	*	0.01
Miscellaneous Goods	4,565	2,717	1,675	664	378	81	85	4	0.3
Miscellaneous Services	20	57	8	16	32	100	100	*	1.6
All Reporting Concerns	37,807	102,755	50,107	26,414	26,234	90	88	28	0.06

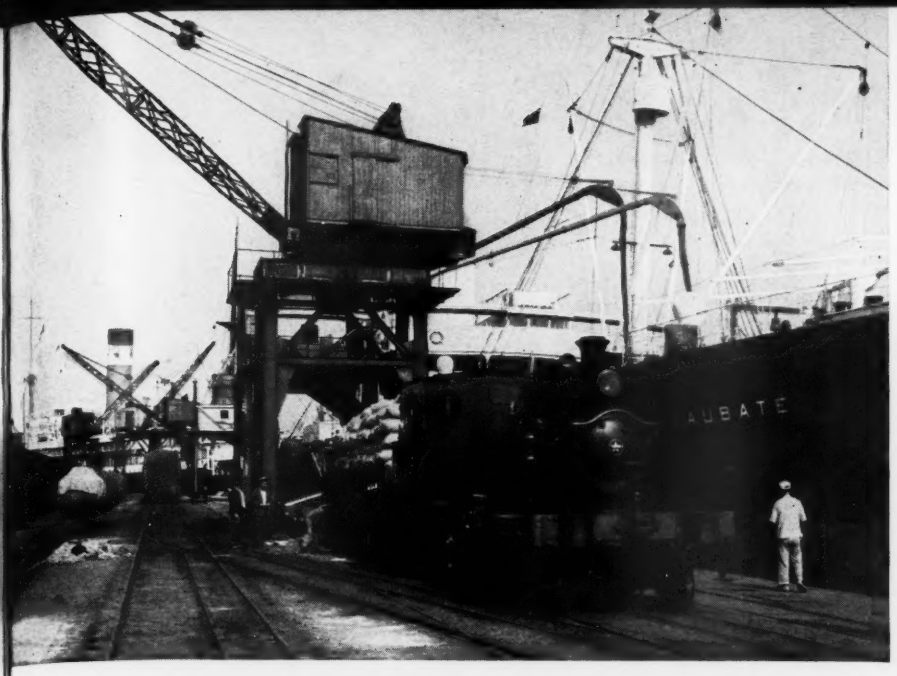
* Less than $1,000.

IV. Credit Experience, by Countries, 1941

Based on Reports from 514 Exporters. Dollar figures in thousands

Countries	Accounts Sold	Dollar Sales: Total	Credit	Sight Draft	Cash	Payment Record (Percentages): Prompt Credit	Prompt Sight Draft	Losses on Credit Sales: Dollars	Per Cent
Argentina	1,177	14,691	4,681	2,733	7,276	84	92	1	0.03
Bolivia	748	1,520	882	266	371	80	79	*	0.09
Brazil	2,090	19,799	7,726	6,418	5,653	83	91	5	0.07
British Guiana	261	585	99	348	137	92	97	*	0.001
British Honduras	227	109	35	67	6	99	98	0	0.0
British West Indies	813	2,823	1,393	731	699	97	100	*	0.004
Chile	1,224	5,801	1,872	1,082	2,846	87	57	*	0.03
Colombia	2,205	5,827	4,008	1,212	607	72	78	1	0.03
Costa Rica	1,326	854	323	403	127	87	67	*	0.1
Cuba	3,985	9,434	5,627	1,543	2,263	92	89	*	0.004
Dominican Republic	1,001	970	565	275	130	93	88	*	0.004
Ecuador	936	926	133	515	276	92	93	*	0.004
French Guiana	26	8	*	*	7	80	100	0	0.0
French West Indies	183	169	*	13	155	66	98	0	0.0
Guatemala	1,238	1,000	589	328	82	96	95	*	0.06
Haiti	915	920	553	334	33	91	95	*	0.001
Honduras	838	318	101	174	42	71	90	*	0.002
Mexico	3,546	10,902	6,449	3,105	1,346	95	99	5	0.08
Netherlands West Indies	866	1,002	507	296	197	94	99	*	0.002
Nicaragua	580	752	290	211	250	74	90	*	0.007
Panama and Canal Zone	1,205	3,779	2,544	885	349	95	98	*	0.03
Paraguay	59	173	30	6	136	88	94	*	0.002
Peru	1,468	2,036	962	368	705	97	97	*	0.08
Puerto Rico	5,196	9,230	6,346	2,407	476	87	85	6	0.1
Salvador	863	681	431	164	85	96	97	*	0.04
Surinam	361	373	62	287	23	97	94	*	0.0008
Uruguay	743	2,340	1,021	632	686	82	89	*	0.002
Venezuela	3,347	5,556	2,796	1,511	1,248	81	79	4	0.2
Virgin Islands	380	163	67	87	9	98	100	*	0.0003
All Reporting Countries	37,807	102,755	50,107	26,414	26,234	90	88	28	0.06

* Less than $1,000.



PHOTOS BY EWING GALLOWAY

Rio De Janeiro—*Along the wharves where railroad comes alongside ships to unload. The huge crane is used to transfer the cargo from train to ship.*

Bahia—*The century-old diamond industry in Brazil feeds the jewel markets of the world. The center of the diamond district is Andarahy, where this primitive installation for cutting gems is used. Operators never admit they are making money but they never stop working.*

derance of credit operations are on a time draft basis, that is, (30, 60, 90 days sight, or date draft, or a variation of these) with relatively few accounts sold on open account terms, a clearer picture begins to be presented of the safety in handling shipments on these terms.

One of the prime laws governing bills of exchange has to do with the protest of drafts. Fundamentally, if an exporter ships on these terms and properly instructs his bank, he is allowed by law to protest the draft for non-acceptance or non-payment which eventually leads to an executive judgment being issued in his favor, entitling him to embargo or to shut down the establishment of his customer until such a time as the draft is liquidated. This drastic measure is not frequently used, but is an extremely protective weapon in the hands of a competent credit manager, and the legalities are simple and inexpensive for the most part.

While we are handicapped today in carrying on our enlarged trade with Latin America because of necessary priority restrictions and difficulties in getting shipping space, the Government has indicated clearly that it will encourage efforts to continue to supply our southern neighbors with their needs. Some of the shipping difficulties arise because we have been selling 66 per cent more to Latin America during the past two years, it must be remembered.

New Economic Frontier

Latin America will probably become more firmly established within our economic system both in the immediate and distant future. The wholesale destruction of the agricultural, industrial, and mining communities in the Far East and other territories offers opportunities for business with the other countries of this hemisphere.

Perhaps there will result permanent efforts to develop in Latin America the latent sources of materials and supplies we need. These contain a tremendous potential that requires capital or credit to bring it to life. And in turn the probability exists that Latin America will become an even more important customer for our own products. Credit operations which played so important a rôle in the development of our own industry and commerce will dominate this trend. Latin America may prove indeed to be the next American economic frontier.

THE TREND

SUMMARY: As business crosses the half-way mark start of the year. Production continues to expand, and incomes are rising steadily. But for the been suspended. War orders and war news

THE two outstanding developments on the business front during May—the lull in new purchasing and the setback to the price rise—have continued to be prominent features of the trend in June. They are mutually dependent, the price control order having apparently removed a major incentive for the forward buying urge while the let-up of buying in turn diminished pressure on the price level, supporting Government efforts to halt a further increase.

These developments indicate that for the time being at least the further expansion of civilian income is not an active force in the market. Actually, the unusual rate of expansion of employment and payrolls has continued undiminished and while consumers at present are spending less than they were in 1941, they are receiving almost one-fourth again the amount of last year's income. They are certainly saving more. But in June they did not, according to preliminary reports, increase their purchases of war bonds to the quota of $800,000,000 which had been set for the month. For July the quota has been raised to $1,000,000,000.

More than ever, the dominant factor in sales and production is the unparalleled demand of the war program. Gains over last year in production and employment are based entirely on the expansion of military expenditures. Output of consumers' goods has dropped below a year ago; in the category of durables it has fallen to less than half the 1941 amount. On the other hand, output for war mounts at a rate which amply fulfills the goals set last January by the President. War expenditures in May at $3,853,000,000 were four times as large as a year ago.

While the trend is still upward the many divergencies make the advance less clear-cut. The characteristics of boom and depression exist side by side. While production as a whole is at a record rate, this is definitely not true of the civilian industries. National income has reached a new high but the increase is centered chiefly in farm income and payrolls, and dividends and interest are less than last year's. Stock prices and trading volume are below a year ago. Retail trade is above last year in some regions but off in most—and the merchandise famine has yet to assert itself in the civilian market.

PRODUCTION

As output of war goods increases by leaps and bounds, production reaches a new high despite civilian contraction.

Reports of industry's activity furnish a record of unprecedented expansion of war goods production. The President has disclosed that in May domestic factories turned out 4,000 planes, more than 1,500 tanks, over 50,000 machine guns. As in past months, the greatest increases in output occurred in the machinery, transportation equipment, and other industries working chiefly on products for military purposes.

Based on these gains in the war industries, the production curve turned upward more sharply in May. The FRB seasonally adjusted index showed a rise from 173 to 176 (1935-1939 = 100), with preliminary reports indicating some further advance during June.

In marked contrast, there was a continued slump in the lines representing the civilian economy. An index computed by the Federal Reserve Bank of New York (100 = estimated long-term trend) showed consumers' goods production the lowest since the start of the war in 1939, durable goods production the lowest since the depths of the recession in 1938.

CONSTRUCTION

The building industry, almost entirely converted to war work, is setting new records on war construction alone.

The widening gulf between the war and non-war aspects of the business scene is further emphasized by the data on building construction. Like production, building volume is scheduled to set an all-time record in 1942. Non-

Industrial Production

Federal Reserve Board Adjusted Index; 1935-1939 = 100

	1939	1940	1941	1942
January	101	122	140	171
February	101	116	144	172
March	101	113	147	171
April	97	112	144	173
May	98	116	154	176
June	103	122	159	
July	105	122	160	
August	106	124	160	
September	114	130	161	
October	121	131	163	
November	124	134	166	
December	125	139	167	

Factory Payrolls

U.S.B.L.S. Index; 1923-1925 = 100

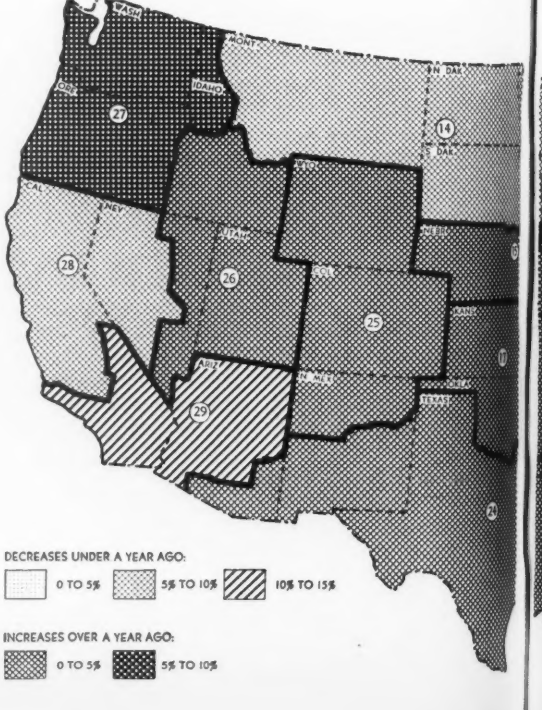
	1939	1940	1941	1942
January	84.7	99.8	120.7	173.5
February	87.1	99.3	126.8	178.3
March	88.8	99.8	131.2	182.8
April	86.8	97.9	134.7	186.6
May	86.3	97.8	144.1	192.6
June	87.9	99.5	152.2	
July	85.8	98.2	152.7	
August	91.2	105.5	158.1	
September	95.4	111.6	162.6	
October	103.2	116.2	167.0	
November	103.3	116.4	165.4	
December	104.4	122.4	169.9	

U. S. AND REGIONAL

Seasonally adjusted; 1928-1932 = 100

REGION	May 1942	Change from May 1941	April 1942	Change from April 1942	1935 Retail Sales Per Cent
U. S.	107.6	— 4.8	107.0	+ 0.6	100.0
1. New England	90.8	— 7.9	90.9	0	7.8
2. New York City	†	...	...	...	10.3
3. Albany and Syracuse	102.8	—13.0	110.2	— 6.7	2.5
4. Buffalo and Rochester	95.3	— 6.0	95.4	0	1.9
5. Northern New Jersey	94.1	—12.2	95.6	— 1.6	2.9
6. Philadelphia	98.3	—13.2	94.8	+ 3.7	6.2
7. Pittsburgh	102.7	— 5.8	103.6	— 0.9	3.7
8. Cleveland	119.5	— 3.5	121.8	— 1.9	2.9
9. Cincinnati and Columbus	119.5	— 3.3	120.9	— 1.2	3.1
10. Indianapolis and Louisville	129.7	— 4.1	136.5	— 5.0	2.6
11. Chicago	99.9	—10.6	99.0	+ 0.9	6.4
12. Detroit	114.9	— 4.9	118.0	— 2.6	4.0
13. Milwaukee	115.4	+ 2.9	120.3	— 4.1	2.2
14. Minneapolis and St. Paul	105.6	— 7.2	112.8	— 6.4	4.5

† *Unavailable.* * *Revised.*



U. S. NAVY FROM FREDERICK LEWIS

of BUSINESS

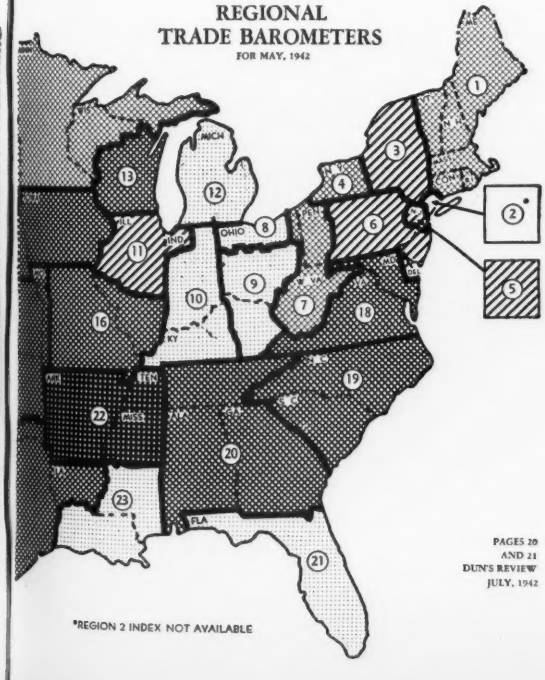
in 1942 the trend is more nearly stable than at the despite the curtailment of the non-war industries, present the increase of both trade and prices has dominate all aspects of the business scene.

Trade Barometers

compiled for Dun's Review *by Dr. L. D. H. Weld*

Region	May 1942	Change from May 1941	April 1942	Change from April 1942	1935 Retail Sales Per Cent
15. Iowa and Nebraska	97.7	+ 2.5	101.7	— 3.9	3.0
16. St. Louis	121.1	+ 1.5	110.8	+ 9.3	2.5
17. Kansas City	114.1	+ 1.6	108.0	+ 5.6	3.6
18. Maryland and Virginia	145.6	+ 4.7	146.0	0	3.8
19. North and South Carolina	162.7	+ 4.7	139.8	+16.4	2.1
20. Atlanta and Birmingham	158.6	+ 1.4	153.4	+ 3.4	3.5
21. Florida	161.2	— 3.0	145.1	+11.1	1.3
22. Memphis	140.0	+ 6.2	140.8	— 0.6	1.5
23. New Orleans	127.9	— 1.5	129.2	— 1.0	1.0
24. Texas	147.5	+ 2.3	140.5*	+ 5.0	4.5
25. Denver	122.0	+ 1.9	119.5	+ 2.1	1.3
26. Salt Lake City	127.4	+ 3.0	113.0	+12.7	.8
27. Portland and Seattle	130.3	+ 5.1	130.6	0	2.7
28. San Francisco	112.1	— 5.4	110.1*	+ 1.8	3.4
29. Los Angeles	102.6	—11.9	111.2	— 7.7	3.9

Indexes may be obtained about the end of the following month.



*REGION 2 INDEX NOT AVAILABLE

essential work has been virtually halted under WPB order and the bulk of current activity is directly connected with the war effort.

Estimates of WPB indicate that of construction in the first half of the year all but one-fifth of the volume went for airfields, war plants, camps, shipyards, war housing. All non-essential civilian building, which amounted to $4,000,000,000 in 1941, totalled only $215,000,000 in the first quarter of the year and is estimated below $650,000,000 for the full year.

Employment and Income

War work, which continues to increase employment, largely accounts for a rise in incomes of 25 per cent over 1941.

The domination of war activities appears also in the reports of employment. USBLS estimates showed an increase in total non-agricultural employment of 327,000 in May, of which 76,000 were workers in war production industries, 92,000 in public construction, and 86,000 in Government employment.

The demands of the war program continue to grow at a staggering rate. By 1944, the War Manpower Commission estimates, 20,000,000 persons will be engaged in direct war production and transportation, or well over one-fourth of all workers now in the labor force. More than 7,000,000 of these are expected to come from suspended or converted peace-time industries.

Income payments of $8,656,000,000 in May were 25 per cent greater than a year ago. So far this year the sharp increases in salaries and wages—especially in the industries most directly connected with the war effort—largely account for the broad gains. The net income of farm operators was 59 per cent higher in the first five months of 1942; dividend and interest disbursements, on the other hand, were moderately less than a year ago.

Consumer Buying

The anomaly of expanding income and shrinking trade is emphasized by the continued cautious buying at retail.

The let-up of the trade boom was even more pronounced in May and June, although on a seasonally adjusted basis the dollar volume of consumer spending in May was slightly higher for the first time this year. The Dun's Review trade index moved up fractionally from 107.0 in April to 107.6 (1928-1932 = 100), remaining 5 per cent under last year despite the substantial rise in prices over the period. Decreases were greatest in East and some West coastal regions, but also evident in several of the central industrial areas where payrolls have expanded most sharply. Favorable sales comparisons were outstanding in Southern and Southwestern regions.

Prices

Ceilings effective in May stabilize the wholesale price average and halt the eighteen-month rise in living costs.

The sidewise movement of prices extended into the third month on the wholesale average. The USBLS weekly index showed a mild downward trend during most of June, lowering the monthly average fractionally from a level of 98.8 in May.

Living costs were lowered for the first time since November 1940. The rise of prices, which continued right up to mid-May, turned into a mild decline after the general price ceiling became effective. Between mid-May and the beginning of June a drop of 0.1 per cent occurred (USBLS).

Banking and Finance

While business loans decline further, banks report deposits and money in circulation rising at a record rate.

The steady shrinkage of bank loans for commercial, industrial, and agricultural account had reduced the total to $6,500,000,000 at the end of June, almost $500,000,000 below the Spring peak. Bank deposits continued to rise, and money in circulation reached a record $12,400,000,000 on July 1, $2,700,000,000 more than in July 1941. Turnover on the New York Stock Exchange has averaged under 300,000 shares daily since April.

Consumer Buying

Dun's Review *Adjusted Trade Barometer; 1928-1932 = 100*

	1939	1940	1941	1942
January	91.3	94.9	105.5	131.8
February	84.1	91.2	108.7	121.5
March	86.3	95.4	111.9	121.6
April	83.1	89.8	110.7	107.0
May	83.9	91.5	113.0	107.6
June	83.4	91.1	111.4	
July	81.9	90.6	112.4	
August	83.3	90.2	120.4	
September	86.8	92.5	108.4	
October	87.1	94.3	107.3	
November	96.2	106.5	123.4	
December	100.5	110.5	127.2	

Wholesale Commodity Prices

U.S.B.L.S. Index; 1926 = 100

	1939	1940	1941	1942
January	76.9	79.4	80.8	96.0
February	76.9	78.7	80.6	96.7
March	76.7	78.4	81.5	97.6
April	76.2	78.6	83.2	98.7
May	76.2	78.4	84.9	98.8
June	75.6	77.5	87.1	98.7*
July	75.4	77.7	88.8	
August	75.8	87.1	90.3	
September	79.1	78.0	91.8	
October	79.4	78.7	92.4	
November	79.2	79.6	92.5	
December	79.2	80.0	93.6	

* Rough approximation; BLS figure not available.

TRADE ACTIVITY—A REGIONAL SUMMARY

1. New England Region

MAY, 90.8 APR., 90.9 MAY 1941, 98.6
UNADJUSTED: MAY, 96.2; APR., 98.9

MAY—Barometer decline below last year greater than country for second month. Boston wholesale trade 7% below 1941, Springfield 8%; Portland 15% above 1941. Crop prospects good to excellent. Apple crop, egg and milk production better than 1941. Industrial payrolls increased slightly in month, up 20 to 30% over 1941. Collections generally steady with April.

JUNE—Department store sales even with 1941 for region. Summer resort business below 1941. Seaport and dock activity well below last year. Major industries working full time, largely on war work.

2. New York City* Region

MAY—Retail trade activity continued to run below a year ago, declined somewhat from April. Layoffs in numerous priorities industries and seasonal decline in apparel activity caused factory payrolls to decline slightly from April but they remained 30% above 1941. Retail and wholesale trade employment steady to below last year, payrolls slightly higher than 1941. Collections generally better than a year ago.

JUNE—New York City department store sales 10% below 1941. New York City construction employment far below normal. Garment manufacturing stepped up at midmonth after clarification of Government regulations. Large white-collar group holds payroll gains under industrial towns.

* Barometer not available.

3. Albany and Syracuse Region

MAY, 102.8 APR., 110.2 MAY 1941, 118.1
UNADJUSTED: MAY, 105.8; APR., 113.5

MAY—Barometer decline from last year and April less favorable than for country. Albany wholesale trade 5% below 1941, Syracuse up 8%. General crop outlook good. Factory payrolls generally up from April; in Kingston–Newburgh–Poughkeepsie area up 15%. Large payroll gain over last year of 67% in Utica, smaller rise of 20% in Syracuse. Collections steady to better than a year ago.

JUNE—Construction payrolls increasing in Binghamton, Syracuse. Workers from curtailed plants in Amsterdam and Gloversville commuting to Schenectady war plants. Serious factory layoffs in Oneida affected trade.

4. Buffalo and Rochester Region

MAY, 95.3 APR., 95.4 MAY 1941, 101.4
UNADJUSTED: MAY, 97.7; APR., 100.8

MAY—Barometer decline from last year greater than country; drop from last month contrasts with rise for country. Buffalo wholesale trade 10% above 1941. Crop prospects good to excellent. Apple, cherry crops better than last year. Buffalo factory payrolls up 6% from April, Rochester 2%; up 49% and 40% respectively from 1941. Collections steady to better than 1941.

JUNE—Buffalo department store sales 4% above 1941, Rochester off 3%. Steel rate steady at 105% of capacity. Niagara Falls housing tight, construction increasing, trade activity well above district average.

5. Northern New Jersey Region

MAY, 94.1 APR., 95.6 MAY 1941, 107.2
UNADJUSTED: MAY, 92.3; APR., 96.9

MAY—Barometer decline below last year and last month, less favorable than country for second month. Newark wholesale trade 20% above 1941. Sharp payroll gains over last year in Paterson–Caldwell; payrolls higher in the month as increased war activity more than offset dislocations. Collections better than 1941.

JUNE—Newark department store sales 8% below last year. Close to 30,000 new factory hirings estimated from March-August. Large Elizabeth, Plainfield, Linden plants converting to essential work. Many small plants converting to aircraft parts, shell fuses.

6. Philadelphia Region

MAY, 98.3 APR., 94.8 MAY 1941, 113.3
UNADJUSTED: MAY, 101.6; APR., 99.7

MAY—Barometer decline from last year again greater than country; increase in month larger than country. Philadelphia wholesale trade 15% above 1941. Factory payrolls reached new peak, 23% above 1941 in Pennsylvania, 39% in Delaware; large gains in Chambersburg, Philadelphia, Wilkes-Barre, Williamsport. Collections steady in month. Flash floods damaged Lehigh Valley.

JUNE—Philadelphia department store sales 7% above 1941. Trenton industrial employment above 1941 despite substantial declines in pottery and rubber factories. Hard coal output increasing, slightly below 1941.

7. Pittsburgh Region

MAY, 102.7 APR., 103.6 MAY 1941, 109.0
UNADJUSTED: MAY, 111.3; APR., 108.9

MAY—Barometer decline from last year slightly larger than country; drop from April contrasts with rise in country. Pittsburgh wholesale trade 10% below 1941; Erie up 10%, Charleston 30%. Factory payrolls up slightly in month; 37% above 1941 in Erie, Kane–Oil City areas, up 17% in Pittsburgh, 5% in Youngstown. Bituminous coal output 8% above last year. Collections vary.

JUNE—Pittsburgh department store sales 4% below 1941, Pittsburgh bank clearings 14% above 1941, Huntington 12%; Youngstown off 3%. Steel operations remain at capacity, except in Wheeling where rate is 83%.

8. Cleveland Region

MAY, 119.5 APR., 121.8 MAY 1941, 123.8
UNADJUSTED: MAY, 119.5; APR., 134.0

MAY—Barometer decline from last year smaller than country; drop from April contrasts with rise for country. Cleveland wholesale trade 15% above 1941, Toledo 10%. Winter wheat, rye yields above recent years. Apple, cherry crop prospects better than 1941. Industrial payrolls up in month, 25 to 35% over last year; largest gain in Cleveland. Collections generally steady with 1941.

JUNE—Cleveland department store sales 7% above 1941, Akron 11%, Toledo 4%; Cleveland bank clearings up 22%, Mansfield 1%, Canton 10%. New plant in Toledo hiring many workers.

9. Cincinnati and Columbus Region

MAY, 119.5 APR., 120.9 MAY 1941, 123.6
UNADJUSTED: MAY, 127.9; APR., 125.7

MAY—Barometer decline from 1941 less than country; drop from April contrasts with gain for country. Cincinnati wholesale trade 5% above 1941, Columbus off 10%. Crop conditions good to excellent. Garden truck, berry yields good. Payrolls 40 to 50% higher than 1941 in Columbus, Cincinnati, 20 to 25% in Dayton, below 1941 in Zanesville. Collections better than 1941.

JUNE—Columbus department store sales 13% above 1941, Cincinnati 11%. Payrolls increasing in southern Ohio, Lexington area. In northern section, machine tool and aircraft centers work at new peak levels.

10. Indianapolis and Louisville Region

MAY, 129.7 APR., 136.5 MAY 1941, 135.3
UNADJUSTED: MAY, 137.1; APR., 140.9

MAY—Barometer decline from last year somewhat less than country; drop from April against rise for country. Indianapolis wholesale trade 1% above 1941, Louisville off 10%. Indiana Winter wheat yield less than recent years; Kentucky crop prospects fair to good. Industrial payrolls steady in month; large gains over 1941 in Fort Wayne, Richmond, small gain in Evansville, decline in Lafayette. Collections steady to slower in month.

JUNE—Louisville department stores 2% below 1941, Indianapolis 11% ahead of last year. Louisville area population 10% larger than 1940, continues to rise. Payrolls up in Fort Wayne as new plants open.

11. Chicago Region

MAY, 99.9 APR., 99.0 MAY 1941, 111.7
UNADJUSTED: MAY, 102.7; APR., 103.4

MAY—Barometer decline from 1941 much greater than country; gain over April slightly larger than country. Chicago wholesale trade 15% below 1941. Crop prospects good to excellent. Chicago area factory payrolls 22% above last year, trade payrolls close to 1941 levels. Collections steady to better than 1941.

JUNE—Chicago department store sales 1% above 1941; Chicago bank clearings 1% below 1941, Peoria off 6%, South Bend 1%; Decatur up 19%, Rockford 10%. Wholesale apparel market bookings 20% below 1941. Building practically at standstill in Peoria and other towns without war expansion.

12. Detroit Region

MAY, 114.9 APR., 118.0 MAY 1941, 120.8
UNADJUSTED: MAY, 124.1; APR., 126.3

MAY—Barometer decline from last year larger than country; drop from last month against rise for country. Detroit wholesale trade 15% above 1941, Grand Rapids 8%. Wheat, cherry, apple prospects below recent years; milk output better than 1941. Industrial payrolls up 6% from last month and last year; employment still considerably below 1941. Collections steady to better than April.

JUNE—Detroit department store sales 8% above 1941. Temporary unemployment in Grand Rapids as large plants retool. Detroit war industry employment expanding constantly; now 524,000, estimated at 660,000 by November.

U. S. TRADE BAROMETER: ADJUSTED: MAY 107.6, APR. 107.0, MAY 1941 113.0; UNADJ.: MAY 111.6, APR. 111.6

THE BAROMETERS

The barometers are composite indexes compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; the years 1928-1932 equal 100. In each paragraph the indexes on the first line are adjusted for seasonal variation; those on the second line are unadjusted. References in the paragraphs are to the adjusted indexes. A table of barometer figures and a map of relative changes in trade by regions are on page 21.

THE SUMMARIES

The estimates of trade changes and other reports in the paragraphs are based upon opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices. Department store sales are from the Federal Reserve Board; payroll and employment figures from State Labor Departments and the U. S. Bureau of Labor Statistics.

CITY LIST

In the narrow columns below, the check transaction figures are bank debits published by the Federal Reserve Board; the retail sales estimates are from local DUN & BRADSTREET offices.

The relative change in trade activity in various cities throughout the country in May 1942 as compared with May 1941 is reflected by the figures below. Percentage changes are for retail trade estimates (italics) and check transactions.

1. NEW ENGLAND

Bangor	*—10*	+ 4
Boston	*0*	+11
Brockton		+ 5
Burlington		— 3
Fall River		+ 2
Hartford	*+ 3*	+24
Holyoke		+10
Lowell		+ 9
Lynn		+10
Manchester	*+ 3*	+11
New Bedford	*+ 2*	+ 9
New Haven	*+ 2*	+ 5
Portland	*+10*	+83
Providence	*+ 2*	+ 9
Springfield	*— 5*	+13
Waterbury		+ 9
Worcester	*—10*	+ 4

2. NEW YORK CITY

Bridgeport	*+ 1*	
New York City*	*4**	— 5
Stamford		— 3

* Department stores only.

3. ALBANY AND SYRACUSE

Albany	*—15*	+12
Binghamton	*—10*	+10
Poughkeepsie		+ 4
Syracuse	*—10*	—16
Utica	*0*	+17

4. BUFFALO AND ROCHESTER

Buffalo	*— 2*	+10
Elmira	*0*	+15
Jamestown		+ 5
Rochester	*— 5*	+15

5. NORTHERN NEW JERSEY

Jersey City		— 3
Montclair		— 8
Newark	*— 4*	+ 4
Passaic		+48

6. PHILADELPHIA

Allentown	*—10*	— 5
Altoona		— 4
Camden		+ 8
Chester		+48
Harrisburg	*—10*	+ 4
Hazleton		+10
Johnstown		+ 7
Lancaster	*— 2*	+ 9
Lebanon		+ 6
Norristown		+ 4
Philadelphia	*0*	— 2
Reading	*— 6*	— 3
Scranton	*— 8*	+ 2
Trenton	*— 6*	+21
Wilkes-Barre	*+ 5*	+ 6

6. PHILADELPHIA

Williamsport	*—3*	+ 4
Wilmington	*—10*	+ 6
York	*— 3*	+18

7. PITTSBURGH

Butler		— 4
Charleston	*—12*	+ 8
Erie	*0*	+16
Franklin		+ 4
Greensburg		+14
Homestead		— 5
Huntington	*—20*	+17
Oil City		+18
Pittsburgh	*— 7*	+21
Sharon		+15
Warren		+15
Wheeling		— 9
Youngstown	*—15*	+ 4

8. CLEVELAND

Akron	*0*	+26
Canton		+ 9
Cleveland	*— 5*	+ 8
Hamilton		+ 4
Lima	*+ 5*	+ 3
Lorain		— 2
Toledo	*— 7*	+17

9. CINCINNATI AND COLUMBUS

Cincinnati	*—11*	+13
Columbus	*—10*	+22
Dayton	*— 3*	+ 8
Lexington		+13
Middletown		+13
Springfield	*+15*	+ 8
Steubenville		— 5
Zanesville	*— 4*	— 2

10. INDIANAPOLIS AND LOUISVILLE

Evansville	*— 7*	—14
Fort Wayne	*+ 5*	+16
Indianapolis	*— 6*	+24
Louisville	*—10*	+ 1
Owensboro		+17
Terre Haute	*— 4*	+ 3

11. CHICAGO

Aurora		+ 9
Bloomington		+13
Champaign-Urbana		—
Chicago	*— 7*	+20
Danville		+ 6
Decatur		+10
Elgin		—16
Gary		— 3
Hammond		— 2
Moline		+ 9
Peoria	*—12*	—10
Rockford	*—10*	+15
South Bend	*0*	+ 8
Springfield	*— 3*	+ 2

U. S. Trade Barometer: Adjusted: May 107.6, Apr. 107.0, May 1941 113.0; Unadj.: May 111.6, Apr. 111.6

The relative change in trade activity in various cities throughout the country in May 1942 as compared with May 1941 is reflected by the figures below. Percentage changes are for retail trade estimates (italics) and check transactions.

12. DETROIT

Adrian	+ 4
Battle Creek	+17
Bay City	+10
Detroit	+ 2 +11
Flint	0
Grand Rapids	*—10* — 1
Jackson	+13
Kalamazoo	— 4
Lansing	+25
Saginaw	— 2

13. MILWAUKEE

Green Bay	+ 7 + 5
Manitowoc	+12
Milwaukee	— 3 +18
Oshkosh	— 2
Sheboygan	+36

14. MINNEAPOLIS AND ST. PAUL

Aberdeen	0
Billings	— 5 —11
Bismarck	+20
Butte	— 5 + 1
Dickinson	+18
Duluth	— 5 —10
Eau Claire	—11
Fargo	*+10* — 6
Grand Forks	—14
Great Falls	*—10* —20
Helena	+ 2
Jamestown	—20
La Crosse	*— 8* — 4
Mankato	— 7
Minneapolis	*+11* + 7
Minot	— 1
Red Wing	+ 7
Rochester	— 6
St. Cloud	+14
St. Paul	+ 4 + 9
Sioux Falls	*+17* +10
So. St. Paul	+34
Superior	+10
Winona	+ 1

15. IOWA AND NEBRASKA

Burlington	+ 4
Cedar Rapids	*—11* +10
Clinton	+10
Davenport	*0* + 3
Des Moines	— 5 +16
Dubuque	*—10* + 1
Fremont	+13
Lincoln	+ 5 +13
Mason City	+11
Muscatine	+ 6
Omaha	— 5 +24
Sioux City	+ 4 +28
Waterloo	*—17* +12

16. ST. LOUIS

East St. Louis	+34
Quincy	*—10* +13
St. Louis	*0* +23
Sedalia	+20
Springfield	*— 8* +12

17. KANSAS CITY

Atchison	+ 8
Bartlesville	+ 2
Emporia	+19
Enid	—11
Guthrie	— 2
Hutchinson	— 3
Independence	— 1
Joplin	+50
Kansas City	*— 3* +12
Lawrence	—27
Muskogee	+24
Oklahoma City	*—10* +15
Okmulgee	—13
Pittsburg	+42
St. Joseph	*—18* +21

17. KANSAS CITY

Salina	—13
Topeka	— 5 +11
Tulsa	+ 2 + 7
Wichita	+17 +29

18. MARYLAND AND VIRGINIA

Baltimore	+ 7 +20
Bristol	0
Cumberland	+ 4
Danville	+ 5
Hagerstown	+33
Lynchburg	— 7 + 4
Newport News	0
Norfolk	+ 9 +34
Portsmouth	+50
Richmond	+ 5 +24
Roanoke	— 9 + 9
Washington	+10 +18

19. NORTH AND SOUTH CAROLINA

Asheville	—10 + 5
Charleston	+10 + 6
Charlotte	+ 8 +27
Columbia	—10 — 3
Durham	+53
Greensboro	+ 5 —12
Greenville	+15
Raleigh	+ 5 —14
Spartanburg	+ 8
Wilmington	+ 7 +49
Winston-Salem	—15 + 9

20. ATLANTA AND BIRMINGHAM

Albany	+28
Atlanta	— 5 +12
Augusta	+20 +18
Birmingham	+ 3 +26
Brunswick	+20
Chattanooga	0 +30
Columbus	+ 5 +21
Dothan	+62
Elberton	— 2
Knoxville	— 2 + 8
Macon	+ 5 +26
Mobile	+15 +90
Montgomery	— 1 +10
Nashville	— 4 +16
Newnan	+27
Savannah	+ 3 + 9
Valdosta	+13

21. FLORIDA

Jacksonville	—10 + 9
Miami	—15 —12
Pensacola	+21
Tampa	+12 +38

22. MEMPHIS

El Dorado	+21
Fort Smith	+12 +41
Greenville	— 3
Helena	+14
Little Rock	+ 3 +52
Memphis	0 + 4
Pine Bluff	+173
Texarkana	+279

23. NEW ORLEANS

Hattiesburg	+ 1
Jackson	— 5 + 5
Meridian	+ 9
New Orleans	+ 5 + 3
Vicksburg	+52

24. TEXAS

Abilene	— 1
Amarillo	— 5
Austin	+10 +52

(Continued on next page)

BAROMETERS FOR TWENTY-NINE REGIONS

13. Milwaukee Region

May, 115.4 Apr., 120.3 May 1941, 112.2

Unadjusted: May, 121.7; Apr., 127.5

May—Barometer still shows gain over last year in contrast with decline for country. Milwaukee wholesale trade 10% above 1941. Cheese prices highest for season since 1928. Milk production same as last year's high level. Industrial payrolls up in month, 25 to 30% above 1941; large gains over 1941 in Fond du Lac, Madison, Manitowoc, Watertown. Collections better than 1941.

June—Milwaukee department store sales 5% above 1941. Employment expanding rapidly in "priorities" towns with war orders, but payrolls in these areas still lagging behind district gain over 1941.

14. Minneapolis and St. Paul Region

May, 105.6 Apr., 112.8 May 1941, 113.8

Unadjusted: May, 109.9; Apr., 115.1

May—Barometer drop from last year greater than country. Duluth wholesale trade 10% above 1941, Minneapolis 5%; Great Falls off 10%. Rainfall generally benefited crops, caused some damage in Minnesota, Montana. Largest payroll gains over 1941 in eastern section; payrolls sharply lower than 1941 in Eau Claire. Collections vary.

June—St. Paul retail trade moderately below 1941. Workers leaving Watertown, S. Dak.; trade gains above average in Provo, Edgemont, Hot Springs, Rapid City. Mesabi iron range, Duluth very active. Large influx of miners to Butte area.

15. Iowa and Nebraska Region

May, 97.7 Apr., 101.7 May 1941, 95.3

Unadjusted: May, 100.9; Apr., 106.7

May—Barometer continues gain over 1941 compared with decline for country; down in month as country rises. Des Moines wholesale trade 10% above 1941, Omaha up 15%, Sioux City off 10%. Crop prospects good; wetness delayed corn planting. Livestock slaughter and receipts much above last year. Industrial payrolls generally up from April; 15 to 25% above 1941. Collections vary.

June—Nebraska department store sales 6% above 1941. Wahoo employment to be doubled in month. Increased construction payrolls aiding Lincoln trade. Dubuque activity below 1941 due to priorities curtailment.

16. St. Louis Region

May, 121.1 Apr., 110.8 May 1941, 119.3

Unadjusted: May, 126.7; Apr., 116.7

May—Barometer gain over last year contrasts with decline in country; large increase from April. St. Louis wholesale trade 10% below last year. In lower Illinois and central Missouri crop prospects only fair. Winter wheat, barley outlook below recent years. Payrolls and production substantially above last year, steady to higher in month. Collections steady with last month.

June—St. Louis department store sales 8% above last year; shoe production near record for season; steel rate scheduled at 108% of capacity, up from 103% in early May. Influx of Government workers to St. Louis.

17. Kansas City Region

May, 114.1 Apr., 108.0 May 1941, 112.3

Unadjusted: May, 112.6; Apr., 110.1

May—Barometer continues to gain over 1941 in contrast to decline in country; substantial rise over April. Kansas City wholesale trade 20% above 1941, Oklahoma City 1%. Crop prospects fair to poor in Oklahoma, fair to good in Kansas. Industrial payrolls much larger than 1941, steady to up in month. Collections steady to better than April.

June—Kansas City department store sales 25% above 1941, Wichita 26%, St. Joseph 6%, Oklahoma City 8%, Tulsa 33%. Crude oil output 10% below 1941 in Oklahoma; 19% above in Kansas. Topeka, Oklahoma City, Wichita payrolls benefiting from war work.

18. Maryland and Virginia Region

May, 145.6 Apr., 146.0 May 1941, 139.0

Unadjusted: May, 148.2; Apr., 146.9

May—Barometer changes from last year and last month about same as country. Baltimore wholesale trade 5% above 1941, Norfolk 25%, Richmond 15%. Crop prospects good in Maryland, fair to good in Virginia. Tobacco outlook favorable. Payrolls and production generally well above last year, steady in Bristol; little changed in month. Collections improved in month.

June—Richmond bank clearings 15% above 1941, Norfolk 46%, Baltimore 0%, Washington 5%. Textile production at new high. Construction very active around Richmond, Baltimore, Washington.

19. North and South Carolina Region

May, 162.7 Apr., 139.8 May 1941, 155.4

Unadjusted: May, 158.5; Apr., 142.9

May—Barometer up sharply from April, continues to gain over 1941. Wilmington wholesale trade 10% above 1941, Charleston 25%, Winston-Salem 5%. Potato crop larger than 1941, prices good. Apple, peach yields much below last year. Payrolls and production steady to higher than last year, little changed from April. Collections better than a year ago.

June—Charleston bank clearings 1% above 1941. Shore resorts affected by dim-out. Wilmington payrolls high, above last year, increasing. Cotton crop promising. Textile production higher than last year.

20. Atlanta and Birmingham Region

May, 158.6 Apr., 153.4 May 1941, 156.4

Unadjusted: May, 164.0; Apr., 157.1

May—Continued barometer gain over 1941 contrasts with decline for country. Atlanta wholesale trade up 7% over 1941, Birmingham 15%, Nashville 3%. Crop prospects spotty in Georgia, fair in Alabama. Industrial payrolls 60% above 1941 in Alabama, Tennessee 35%, Georgia 15%. Retail collections improved over April.

June—Atlanta department store sales off 6% from 1941, Birmingham up 8%, Nashville up 3%. Trade gains largest in urban areas, particularly those with war work. Coal, iron output at capacity. Textile mills generally on full-time; below 1941 in Chattanooga.

21. Florida Region

May, 161.2 Apr., 145.1 May 1941, 166.2

Unadjusted: May, 156.8; Apr., 152.1

May—Barometer up sharply from April; decline from 1941 smaller than country. Jacksonville wholesale trade 15% below 1941, Tampa 5% above. Citrus, vegetable shipments declining seasonally, prices satisfactory. Rainfall relieved drought somewhat but fruit prospects declined. Industrial payrolls steady with April, 20 to 25% above 1941. Collections steady with 1941.

June—Miami department store sales 8% below 1941. Tourist activity remains well below last year. Shipbuilding and drydocks active. Some smaller firms obtaining war work in Jacksonville area.

22. Memphis Region

May, 140.0 Apr., 140.8 May 1941, 131.8

Unadjusted: May, 141.7; Apr., 134.0

May—Barometer gain over last year largest in country; slight decrease from April against rise in country. Memphis wholesale trade 5% larger than 1941. Crop prospects fair to poor. Vegetable crop good. Arkansas payrolls increased 3% over April; largest gains in coal, sand, gravel, building stone industries. Collections steady to better than last year.

June—Memphis department store sales 7% above 1941. Fort Smith continues to grow in population and employment; factories generally operating full time. Crude oil output increasing, slightly higher than 1941.

23. New Orleans Region

May, 127.9 Apr., 129.2 May 1941, 129.9

Unadjusted: May, 125.2; Apr., 132.2

May—Barometer decline from last year smaller than country; slight drop from April contrasts with rise for country. New Orleans wholesale trade 15% greater than 1941. Cotton crop outlook favorable. Crop prospects generally good. Industrial payrolls little changed from April, 45% above 1941 in Mississippi, 75% in Louisiana. Collections steady with last year.

June—New Orleans bank clearings 26% above 1941, Vicksburg 8%. Oil production increasing, 13% below last year. Military bases and rising war work in New Orleans area continue to aid trade.

24. Texas Region

May, 147.5 Apr., 140.5* May 1941, 144.2

*Unadjusted: May, 145.7; Apr., 139.9**

May—Barometer gain over last year and April continues to better country performance. Dallas wholesale trade 10% above 1941, Houston 3%, San Antonio 12%, Fort Worth 7%, Shreveport 5%. Crop conditions fair to poor in eastern half, good in western section. Huge payroll increases over 1941 in Beaumont; large gains in Fort Worth, Galveston; near 1941 levels in Wichita Falls, Austin. Collections vary.

June—Dallas department store sales 5% below 1941, Houston off 11%, Fort Worth up 2%. Oil production declining, 10% below 1941. New construction boosting payrolls around San Antonio, Texas City. *Revised.

BAROMETERS FOR TWENTY-NINE REGIONS

25. Denver Region

MAY, 122.0 APR., 119.5 MAY 1941, 119.7

UNADJUSTED: MAY, 120.7; APR., 120.8

MAY—Barometer gain over last year again contrasts with decline for country; up in month. Denver wholesale trade 10% below a year ago. Ample rainfall and full irrigation reservoirs. Winter wheat, apple, cherry, peach crops below 1941. Ranges excellent. Payrolls and production steady to better than 1941, little changed from April. Collections steady with 1941.

JUNE—Denver department store sales 4% above last year. Albuquerque railroad and lumber business very active, construction increasing. Oil output larger than last year; mining at accelerated pace.

26. Salt Lake City Region

MAY, 127.4 APR., 113.0 MAY 1941, 123.7

UNADJUSTED: MAY, 131.0; APR., 112.5

MAY—Barometer gains over last year and last month continue to better country performances. Salt Lake City wholesale trade 4% less than in 1941. Crop outlook good generally, fair in northwestern Utah. Winter wheat, barley yields above recent years. Payrolls and production larger than last year, little changed from April. Collections at retail improved from April.

JUNE—Salt Lake City department store sales 21% ahead of 1941. Range conditions excellent, better than last year. Las Vegas, Provo, Salt Lake City payrolls much larger than a year ago. Mining very active.

27. Portland and Seattle Region

MAY, 130.3 APR., 130.6 MAY 1941, 124.0

UNADJUSTED: MAY, 132.8; APR., 133.1

MAY—Barometer continues to gain over last year in contrast with decline for country. Portland wholesale trade 25% larger than 1941, Seattle 20%. Crop prospects good to excellent. Industrial payrolls much higher than 1941, generally up in month; down in Tacoma due to strikes. Collections better than 1941.

JUNE—Seattle department store sales 7% above 1941, collections improved. Lumber output up. Much plant, housing, military construction at Corvallis, Medford, Seattle, and generally throughout the area. Payrolls still rising as principal industries increase output.

28. San Francisco Region

MAY, 112.1 APR., 110.1* MAY 1941, 118.5

*UNADJUSTED: MAY, 109.1; APR., 108.4**

MAY—Barometer decline from last year slightly larger than country; gain over April greater than country. San Francisco wholesale trade 30% above 1941. Peach crop second largest on record; grape and prune crop smaller than 1941. Industrial payrolls up over April, more than double 1941 in San Francisco area. Canneries seasonally slow. Collections steady to slower than 1941.

JUNE—San Francisco department store sales 2% above 1941. Fresno employment continues below last year. Building at practical standstill outside war work area of San Francisco, where payrolls still rise. *Revised.

29. Los Angeles Region

MAY, 102.6 APR., 111.2 MAY 1941, 116.4

UNADJUSTED: MAY, 102.5; APR., 110.5

MAY—Barometer decline from last year and last month substantially larger than country. Los Angeles wholesale trade 25% higher than last year. Avocado, lemon shipments heavy, oranges increasing. Flaxseed crop larger than 1941. Los Angeles industrial payrolls up, almost double 1941. Collections better than 1941.

JUNE—Los Angeles area department store sales 2% above 1941. Motion picture activity below recent years. Arizona tourist travel below last year. Morenci employment about one-third larger than 1941. Mining close to capacity in old mines, increasing in new ones.

U. S. Trade Barometer: Adjusted: May 107.6, Apr. 107.0, May 1941 113.0; Unadj.: May 111.6, Apr. 111.6

The relative change in trade activity in various cities throughout the country in May 1942 as compared with May 1941 is reflected by the figures below. Percentage changes are for retail trade estimates (italics) and check transactions.

24. TEXAS		
Beaumont	*+17*	+12
Corsicana		+ 9
Dallas	*−15*	+16
El Paso	*0*	+ 6
Fort Worth	*+ 8*	+18
Galveston	*+ 5*	+ 8
Houston	*− 5*	+10
Lubbock	*0*	
Port Arthur		+35
Roswell		+33
San Antonio	*− 2*	+ 8
Shreveport	*+10*	+30
Texarkana		+72
Tucson		+17
Tyler		− 9
Waco	*+ 5*	+37
Wichita Falls	*+10*	− 7
25. DENVER		
Albuquerque	*+ 3*	+ 7
Casper		−21
Cheyenne		− 4
Colorado Springs		+138
Denver	*− 3*	+15
Grand Junction		+ 1
Pueblo		+ 7
26. SALT LAKE CITY		
Boise		+10
Ogden		+ 8
Salt Lake City	*+ 5*	+14
27. PORTLAND AND SEATTLE		
Bellingham		+15
Eugene		+14
Everett		+22
Portland	*+ 7*	+21
Salem		+ 3
Seattle	*+17*	+41
Spokane	*+ 3*	+ 7
Tacoma	*+10*	+38
Walla Walla		+20
Yakima		− 9
28. SAN FRANCISCO		
Bakersfield		+39
Berkeley		+11
Fresno	*− 5*	− 3
Oakland	*+ 5*	+58
Reno		+ 3
Sacramento	*0*	+ 8
San Francisco	*+10*	+12
San Jose		+ 6
Santa Rosa		+ 3
Stockton		+ 9
29. LOS ANGELES		
Los Angeles	*− 5*	+10
Long Beach		+40
Pasadena		− 4
Phoenix	*+ 3*	+27
Riverside		−12
San Bernardino		− 3
San Diego	*+15*	+78
Santa Barbara		−11

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review"

The Wholesale Food Price Index is the sum of the wholesale price per pound of 31 commodities in general use. The Daily Wholesale Price Index is prepared from the prices of 30 basic commodities. There is available upon request information (methods, back figures, obtaining data before publication, and so on) about any of the data.

Bank Clearings 24 United States Cities

(Millions of dollars)

	Monthly		
	1942	1941	1940
January	31,656	26,296	24,270
February	26,163	22,814	20,758
March	30,269	27,759	23,808
April	28,812	27,260	23,719
May	29,684	27,748	24,494
June	....	28,241	21,963
July	....	28,652	23,072
August	....	27,301	21,181
September	....	27,493	21,219
October	....	32,489	25,447
November	....	28,622	25,377
December	....	34,090	28,010
Total	....	338,765	283,320

	Daily Average		
	1942	1941	1940
January	1,217.6	1,011.4	933.5
February	1,189.2	1,037.0	902.5
March	1,164.2	1,067.7	915.7
April	1,108.1	1,048.5	912.3
May	1,107.3	1,067.2	942.1
June	....	1,129.6	878.5
July	....	1,102.0	887.4
August	....	1,050.0	784.5
September	....	1,099.7	884.1
October	....	1,249.6	978.7
November	....	1,301.0	1,103.4
December	....	1,311.1	1,120.4
Total	....	1,122.9	936.9

Building Permit Values—215 Cities

Geographical Divisions:	May 1942	May 1941	Per Cent Change	April 1942	Per Cent Change
New England	$4,204,196	$9,330,958	− 54.9	$11,858,069	− 64.5
Middle Atlantic	14,582,829	26,852,669	− 45.7	19,543,377	− 25.4
South Atlantic	5,933,700	16,465,221	− 64.0	11,415,407	− 48.0
East Central	19,083,890	38,216,569	− 50.1	33,225,515	− 42.6
South Central	11,542,272	15,424,821	− 25.2	17,129,165	− 32.6
West Central	5,928,460	8,208,798	− 27.8	4,213,330	+ 40.7
Mountain	7,309,308	3,395,331	+115.3	2,659,788	+174.8
Pacific	10,797,560	25,082,659	− 57.0	17,434,420	− 38.1
Total U. S.	$79,382,215	$142,977,026	− 44.5	$117,479,071	− 32.4
New York City	$7,593,575	$12,670,360	− 40.1	$5,604,948	+ 35.5
Outside N. Y. C.	$71,788,640	$130,306,666	− 44.9	$111,874,123	− 35.8

Bank Clearings for Individual Cities

(Thousands of dollars)

	May 1942	May 1941	Per Cent Change	April 1942	Per Cent Change
Boston	1,315,016	1,171,434	+12.3	1,325,107	− 0.8
Philadelphia	2,370,000	2,237,000	+ 5.9	2,363,000	+ 0.3
Buffalo	217,202	193,615	+12.2	209,752	+ 3.6
Pittsburgh	876,171	730,338	+20.0	845,818	+ 3.6
Cleveland	764,917	641,322	+19.3	742,908	+ 3.0
Cincinnati	375,555	334,583	+12.2	382,518	− 1.8
Baltimore	479,244	424,697	+12.8	476,476	+ 0.6
Richmond	233,451	209,545	+11.4	238,459	− 2.1
Atlanta	441,500	372,500	+18.5	421,300	+ 4.8
New Orleans	253,158	227,723	+11.2	260,435	− 2.8
Chicago	1,834,002	1,679,055	+ 9.2	1,738,170	+ 5.5
Detroit	998,463	747,841	+33.5	944,428	+ 5.7
St. Louis	583,339	515,242	+13.2	560,736	+ 4.0
Louisville	229,275	218,495	+ 4.9	220,119	+ 4.2
Minneapolis	403,583	380,093	+ 6.2	397,250	+ 1.6
Kansas City	605,145	515,786	+17.3	596,239	+ 1.5
Omaha	195,969	158,006	+24.0	199,272	− 1.7
Denver	169,025	146,250	+15.6	166,430	+ 1.6
Dallas	322,114	301,183	+ 6.9	322,261	− 0.1
Houston	291,690	263,760	+10.6	296,435	− 1.6
San Francisco	834,405	710,323	+17.5	838,329	− 0.5
Portland, Ore.	244,431	199,318	+22.6	232,675	+ 5.1
Seattle	294,625	234,272	+25.8	291,119	+ 1.2
Total 23 Cities	14,332,280	12,612,381	+13.6	14,069,236	+ 1.9
New York	15,351,353	15,135,513	+ 1.4	14,742,374	+ 4.1
Total 24 Cities	29,683,633	27,747,894	+ 7.0	28,811,610	+ 3.0

Wholesale Food Price Index

1942		1941		1940	
July 7	$3.68	July 8	$3.09	July 9	$2.22
June 30	3.68	July 1	3.06	July 2	2.24
June 23	3.66	June 24	3.08	June 25	2.20
June 16	3.67	June 17	2.99	June 18	2.18
June 9	3.66	June 10	2.97	June 11	2.19

	HIGH		LOW	
1942	$3.69	May 19	$3.45	Jan. 6
1941	$3.43	Dec. 30	$2.50	Jan. 7
1940	$2.49	Dec. 10	$2.18	June 18

Daily Wholesale Price Index

† Sunday. * Markets closed. *1930-1932 = 100*

1942	July	June	May	Apr.
1	156.16	155.38	157.14	157.24
2	156.42	154.76	157.47	157.44
3	156.68	154.36	†	*
4	*	154.87	157.49	157.43
5	†	154.83	157.65	†
6	156.35	154.17	157.85	157.54
7	156.78	†	158.19	157.46
8	156.92	153.71	158.26	157.54
9	157.63	154.09	158.34	157.81
10	157.35	154.74	†	157.72
11		154.60	158.01	157.68
12		154.59	157.60	†
13		154.98	157.46	157.79
14		†	157.49	156.80
15		154.68	157.71	156.91
16		155.02	157.30	156.94
17		155.24	†	156.62
18		155.07	156.62	156.74
19		154.98	157.24	†
20		155.01	157.26	156.63
21		†	156.89	156.97
22		155.00	156.92	157.38
23		154.98	157.14	157.20
24		154.80	†	157.44
25		154.66	156.89	157.42
26		154.53	156.84	*
27		154.59	157.25	157.55
28		†	156.39	156.85
29		155.32	155.91	156.89
30		155.67	*	156.62
31			†	

	HIGH		LOW	
1942	158.34	May 9	151.54	Jan. 2
1941	150.54	Dec. 12	123.03	Feb. 17
1940	124.84	Dec. 31	112.42	Aug. 19

FAILURE RATE CONTINUES TO FALL

THE failure rate continued to fall in May, although there was a slight rise from 938 in April to 955 in the actual number of cases reported. Current liabilities were also somewhat higher, $9,839,000 compared with $9,282,000 in April. A year ago failures numbered 1,119 with debts of $10,065,000.

DUN'S Insolvency Index, which measures the rate of failures, dropped from 52.3 in April to 49.7 in May, continuing the seasonal drop from earlier levels. The index when adjusted for seasonal variation also dropped, continuing in some degree the downturn in April. The decline, however, amounted to only .6 of a point, compared with 3.7 points in April. The level of the index was 17 per cent lower than a year ago.

Summary: There was nothing particularly outstanding in the May record. Whereas the April decline was of substantial proportions, took place among all industry groups and reversed an upward trend, the May decline was merely a continuation at a much slower rate of the April movement, and occurred only in manufacturing and construction, with little change in the trade and service groups. The May decline, however, affected only the smaller failures with debts under $25,000. Substantial failures numbered 65 compared with 56 in April, and large failures rose to 14 from 8 last month. Although the general level of failures was considerably lower in May than a year ago, the liabilities were of almost equal amount in the two periods, due to the 14 large failures compared with only 5 last May.

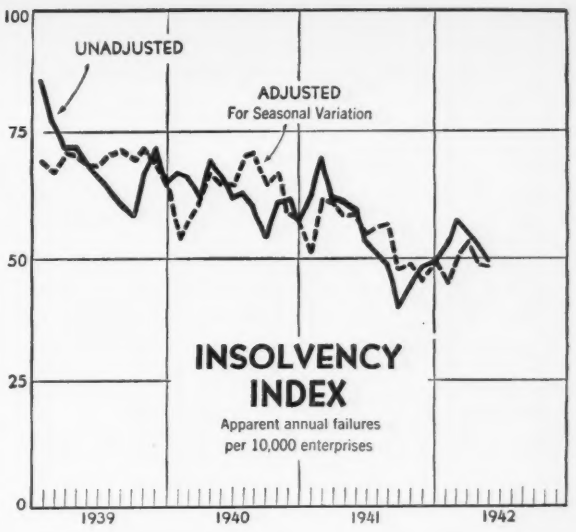
Geographically, there were no monthly moves of any particular importance in the various districts. Those areas which experienced either decreases or increases last month usually reversed the direction in May. Failures dropped off in the 25 largest cities in May and increased in the balance of the country, an equal number coming from each type of locality. There has been a greater failure decrease from a year ago in the large cities than in the rest of the country, although liabilities accompanying the city failures are higher now than a year ago.

Manufacturing: A substantial decline in manufacturing failures in May followed a similar decline in April and the level was some 22 per cent lower than in January and February, and was 26 per cent under last May. The lines of production showing the most appreciable declines during the month were foods and textiles, caused by fewer defaults among bakeries in particular and in women's clothing. There was some increase in the number of failures among furniture manufacturers. Failures were considerably lower than at the beginning of the year in both food and textile lines, whereas in furniture, and in paper and printing they have substantially increased.

Manufacturing failures of all sizes except the very large were down in May from April and also from May of last year, but there were 6 large failures compared with 5 last month and 3 a year ago. Included in the 6 were 2 textile mills, a brewery, a flour mill, and manufacturers of bottle caps and school supplies. Most of the manufacturing decline occurred in the Boston, New York, and San Francisco areas.

Retail Trade: The general level of retail trade failures on a daily basis has remained practically unchanged for the last five months at about 24 failures a day. During May some increase was noted in many of the lines, balanced, however, by declines in clothing stores, drug stores and automotive lines. The decline in drug store and automotive failures reversed increases in these lines of some months duration. On the other hand, failures of general stores turned upward for the first time this year. Retail failures as a whole were 12 per cent lower than a year ago, and fewer in every line except automotive products. Particularly among clothing stores was the decrease apparent. Retail failures of substantial size (debts between $25,000 and $100,000) were high in May at 26 compared with 13 to 18 in earlier months, although they were no more numerous than a year ago. Two large failures were reported.

Other Groups: There was nothing exceptional in the May record of failures in wholesale trade, construction, or commercial service, except possibly the failures of four large contractors, compared with one last month and none a year ago. Canadian failures increased for the first time since last November. They numbered 53 compared with 46 in April, but were well below the 84 reported in May 1941. Liabilities were very low, amounting to only $277,000 against $384,000 in April and $546,000 a year ago.



	May 1942	April 1942	May 1941	Per Cent Change
DUN'S INSOLVENCY INDEX*				
Unadjusted	49.7	52.3	59.9	— 17
Adjusted, seasonally	48.7	49.3	58.7	— 17
NUMBER OF FAILURES	955	938	1,119	— 15
NUMBER BY SIZE OF DEBT				
Under $5,000	544	515	656	— 17
$5,000–$25,000	332	359	386	— 14
$25,000–$100,000	65	56	72	— 10
$100,000 and over	14	8	5	+180
	(Liabilities in thousands)			
CURRENT LIABILITIES	$9,839	$9,282	$10,065	— 2
TOTAL LIABILITIES	10,357	10,175	10,215	+ 1

* Apparent annual failures per 10,000 enterprises.
More detailed figures appear in DUN'S STATISTICAL REVIEW.

FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	Number May 1942	Number May 1941	Liabilities May 1942	Liabilities May 1941
MINING, MANUFACTURING	134	181	2,924	2,777
Mining—Coal, Oil, Miscellaneous	7	6	234	104
Food and Kindred Products	17	36	622	807
Textile Mill Products, Apparel	20	52	623	712
Lumber, Lumber Products	20	22	246	215
Paper, Printing, Publishing	20	14	562	168
Chemicals and Allied Products	5	4	49	19
Leather, Leather Products	4	10	69	110
Stone, Clay, Glass Products	3	6	39	95
Iron and Steel, and Products	3	3	95	93
Machinery	5	5	63	119
Transportation Equipment	5	3	48	175
Miscellaneous	25	20	274	160
WHOLESALE TRADE	69	100	877	963
Food and Farm Products	32	34	382	205
Apparel	2	8	14	86
Dry Goods	4	3	28	17
Lumber, Bldg. Mats., Hardware	6	8	126	146
Chemicals and Drugs	1	6	5	64
Motor Vehicles, Equipment	3	4	33	27
Miscellaneous	21	37	289	418
RETAIL TRADE	647	735	4,392	4,765
Food and Liquor	207	227	864	924
General Merchandise	31	45	350	262
Apparel and Accessories	64	121	440	783
Furniture, Home Furnishings	38	45	297	593
Lumber, Bldg. Mats., Hardware	36	46	290	391
Automotive Group	56	49	384	435
Eating and Drinking Places	109	111	1,111	760
Drug Stores	44	47	306	304
Miscellaneous	62	44	350	313
CONSTRUCTION	63	63	1,175	913
General Building Contractors	18	18	646	363
Building Sub-contractors	44	37	512	313
Other Contractors	1	8	17	237
COMMERCIAL SERVICE	42	40	471	647
Highway Transportation	10	7	93	406
Miscellaneous Public Services	1	..	7	..
Hotels	3	..	53	..
Cleaning, Dyeing, Repairing	3	7	7	73
Laundries	8	4	148	27
Undertakers	3	4	26	30
Other Personal Services	5	8	16	58
Business and Repair Services	9	10	121	53

DIMOUT—*To reduce glare and spill light from display windows some businesses wrap their fluorescent tubes in red or blue cellophane; others darken half their lights on the street side. Some use fewer lights, others cut down on wattage. The Consolidated Edison Company of New York, Inc., recommends a screen of black cotton netting hung from a wooden roller, which reduces glare and spill to a minimum.*

HERE *and* THERE *in* BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Planning—Just to list and describe the agencies and organizations which are conducting some form of post-war planning in the United States requires 110 printed pages. The Twentieth Century Fund, which is among these planning groups, wanted to know the research plans of others, so the list was compiled. It names the groups, describes the scope of their planning and names the persons who do the planning.

Rubber Standard—The National Bureau of Standards has outlined a five-step procedure for evaluating the numerous plans for obtaining domestic rubber. The steps can be applied to evaluating many other discoveries which are offered to a potential investor.

Says the Bureau: An explicit written description of the process should be obtained, together with a statement of the yield of rubber to be expected. (Thousands of plants contain small amounts of rubber, but very few yield enough to warrant consideration for production.)

The description should be reviewed by a disinterested authority to determine whether or not it is consistent with known facts and accepted scientific principles. (Factice, a rubber-like material from vegetable oil and sulphur, is often heralded as a new discovery, but it has been known for 100 years and is an article of commerce.... Tests of a process may be advisable, however, even though involving reactions or procedures which seem fantastic and highly improbable to the chemist.)

The process should be repeated by a competent laboratory, independent of the inventor. (Follow written instructions; use materials independently obtained and identified.)

If rubber is obtained, the samples should be tested for quality and commercial value. (Many different rubber-like products can find profitable use in industry.)

The process should be operated on several successively larger scales, until a scale is reached in which the product is made in commercial quantities.

Drawing Board—An engineer's drafting board which cranks up and down permits a draftsman to work from a chair instead of on his feet and bending far over a flat, desk-type board. It is made by the Watson Manufacturing Company.

When unused, the board lies flat on its desk top. A small crank lifts it to a desired level and an horizontal bar underneath controls the angle from vertical.

Penman's Purple—Now that personal stationery comes in all kinds of colors and it's no longer an obvious social bull if strawberry pink or lemon yellow notepaper bears the burden of social correspondence, the ladies are favoring colored inks which contrast with the paper.

The snowballing of this demand, plus the fact that colored inks are more in use for business maps and charts, has impinged itself upon the corporate consciousness of L. E. Waterman Company, New York, whose permanent blue-black, washable blue, jet black, and red had been plenty good for the present generation's mothers, fathers, and grandparents.

However, L. E. Waterman decided the market was ripe and is out to shake the tree with the help of four new colors: South Sea blue (scenic view of waving palms on a tropic isle, with sailboat); patrician purple (gondoliers on the Grand Canal); Aztec brown (head of Indian chief with unspellable name); and tropic green (scenic view of waving palms on tropic isle, no sailboat).

What now seems to be needed is a fountain pen with eight ink reservoirs, so that the patient correspondent of tomorrow can dash off something like this: "Dear Sir: (washable blue) It is very gratifying to receive your recent $700 order (South Sea blue) but our joy (tropic green) is somewhat alloyed by the knowledge (Aztec brown) that there is due us already (jet black) an unpaid balance of $5,694.33 (red) not including sales tax (permanent blue-black)."

Read on the Run—Stairs formerly the scene of two or three accidents monthly have had no accidents in two years since the steps were edged with broad white stripes, reports the maintenance engineer for Hearn Department Stores, Inc.... *How One Company Tackles the War Production Problem* is a booklet telling the extraor-

TRAINING—*New telephone operators, secretaries, radio announcers, and all who would improve their speech can be trained by recording their voices on a magnetic tape which is played back to them, allowing study of pronunciation, emphasis, and tone. Previous recordings are automatically erased—or demagnetized—allowing the tape to be reused. The device for this is called a Mirrophone, made by the Western Electric Co.*

dinarily valuable story of how Lyon Metal Products, Inc., faced the loss of one-half or more of its peace-time production, yet kept its factories operating and its organization intact. The booklet was printed by Lyon at the request of the American Management Association for presentation by the company to the War Production Board.

Does anybody know some good games? We can't go driving for fun: what with production, death, and taxes the bright lights and far distances are unpatriotic. Guess there's nothing left but chess, checkers, and red dog. . . . Several London newspapers print small boxes listing the blackout times in their own and other cities. Mergenthaler's *Linotype News* observes that one paper printed its blackout box and some radio program information in the gutter (margin space) between pages two and seven.

A new discovery of commercial testing and college research laboratories in the United States has been issued by the National Bureau of Standards. It shows what laboratory in your vicinity is prepared to make tests on specific classes of commodities.

Eared Fence—Some fences have ears and a way to call guards if tampered with. Invented by a DuPont Company engineer, a new acoustic fence hears whispers, sound of footfalls, even feels the touch of an intruder, and transmits the warning to guards some distance away.

A magnetic pickup mounted on the wire collects vibrations. These can be recorded or amplified over a loud speaker. Automatic Alarms Company manufactures the fence with ears.

Rivet Method—A new type of rivet manufacture and a new method of applying the rivet are developments of the Canadian Car & Foundry Company in co-operation with the United-Carr Fastener Company of Canada, Ltd. The rivets, hollow, are stamped from strip stock in an automatic eyelet machine at the rate of 110 a minute, rather than being formed from bar stock.

Primarily the rivet is used on sections of an airplane frame, wing, or fusilage where it's difficult to get a dolly braced inside against the rivet-end.

The method developed in Canada is

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to drop the tubular rivet on a nail, the head of which has been weakened by being shanked down. The end of the rivet falls down against the head of the nail, and the body and point of the nail extend beyond the head or lip of the rivet.

A workman now sets the rivets in place and applies barium chromate to prevent corrosion. At this point, the piece to be riveted resembles a Hindu's bed of nails.

A pneumatic squeezer of standard design, its jaws re-equipped with a chuck and claw, "drives," or, more accurately, "pulls" the rivet. The claw grips the shank of the nail and tries to pull it through the rivet blank. Meanwhile the chuck keeps the rivet tightly in place. The nail head acts as a dolly to perform the actual riveting. Then, since the nail head can't tear through the rivet blank and the material being joined, it breaks off at the shank. Later it's cleaned out of the section with any other waste.

By this method hollow rivets of Monel, duraluminum, and carbon steel can be pulled in blind spots from five to six times as fast as the conventional solid rivet is driven, reports International Nickel Company in its *Inco* magazine.

Safety—A woman's hair is her greatest hazard if she is employed around machinery, reports a Government arsenal employing many women. The electrical attraction set up by machinery in motion can draw free hair into the machine with serious results. Solutions to the danger, says a booklet on *Safety Clothing for Women in Industry,* prepared by the Women's Bureau, United States Department of Labor, include wearing a hair net, cutting the hair short, or wearing a specially designed cap.

Chromite—A new metallurgical process for treatment of large American deposits of low-grade chromite ores is capable of increasing the chromite content of the ore and also of raising the ratio of chromium to iron from about 1.7 parts chromium to 1 part iron to as much as—in an extreme—30 or 40 to 1.

The process was developed by the Bureau of Mines, United States Department of the Interior. Chromite ore concentrates, received from mining and concentration plants, are mixed with coke and treated in a rotary kiln. After the roasting, the metal is leached with sulfuric acid or sulfur dioxide.

Incendiary—Several products are competing for the profitable but unhappy honor of squelching possible incendiary bombs. Sand is generally given first mention; it is cheap and widely available. Salt has been approved by a Columbia University researcher, to the joy of International Salt Company, Inc., which recommends 25-pound bags.

Hard coal tar pitch, a product of Reilly Tar & Chemical Corporation, when spread over a magnesium fire, softens to form an airtight blanket which smothers the burning metal. This discovery is credited to the Central Experimental Station of the Bureau of Mines, United States Department of the Interior.

A third incendiary-killer is a powder developed by Dow Chemical Company and Pyrene Manufacturing Company jointly. Called Pyrene G-1, it stops combustion of magnesium, sodium, po-

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CONDENSED STATEMENT OF CONDITION

At the close of business, June 30, 1942

ASSETS

Cash and Due from Banks		$330,822,454.99
U. S. Government Obligations, Direct and Fully Guaranteed		348,582,958.37
Bankers' Acceptances and Call Loans		29,347,695.09
State and Municipal Bonds		84,072,011.67
Other Bonds and Investments		99,960,002.59
Loans and Discounts		142,604,360.23
Banking Houses		509,793.50
Other Real Estate		4,855,702.25
Mortgages		1,503,000.42
Credits Granted on Acceptances		3,234,811.06
Other Assets		3,237,098.83
		$1,048,729,889.00

LIABILITIES

Capital Stock	$20,000,000.00	
Surplus	50,000,000.00	
Undivided Profits	9,662,494.39	$79,662,494.39
Dividend Payable July 1, 1942		900,000.00
Reserves, Taxes, Interest, etc.		5,621,009.94
Acceptances Outstanding	$5,352,138.72	
(less own acceptances held in portfolio)	1,552,606.03	3,799,532.69
Other Liabilities		239,765.78
Deposits (including Official and Certified Checks Outstanding $10,228,089.63)		958,507,086.20
		$1,048,729,889.00

U. S. Government Obligations and other securities carried at $123,936,710.61 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

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tassium, aluminum, or iron—all used in incendiaries. It is applied with a shovel or hand scoop and forms a vapor that excludes air.

So far most anti-incendiary training has emphasized the most frequently used magnesium or thermite projectiles. The Germans also dropped a few very large bombs which exploded to scatter flaming oil. Recently there was a report the Japanese had tried a phosphorous bomb. (Phosphorus, a poison, burns when dry, is extinguished when wet; magnesium and thermite burn faster when wet.)

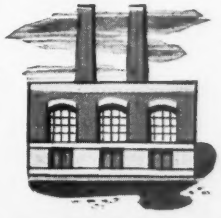
Ameripol—Synthetic rubber thread and hard sponge rubber from the same synthetic material have been developed by The B. F. Goodrich Company. So far the supply of Ameripol, from which both products are produced, is wholly taken by the military forces.

Tin Saver—For use in coating the interior of large steel drums, a new organic chemical known as D.P. Solution replaces tin and costs less. Two pounds of tin ordinarily are needed to coat a single 55-gallon drum for carrying clear lacquers, alcoholic shellacs, or nitrocellulose solutions. It is estimated that D.P. Solution will save about 100,000 pounds of tin a year.

About one-half ounce of Solution to a gallon of lacquer is usually sufficient to prevent corrosion of an iron or steel drum. Monsanto Chemical Company's Merrimac Division explains that D.P. Solution reacts with the metal surface of the drum to form an insoluble film protecting the metal from corrosion.

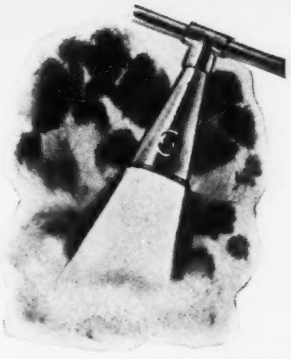
For Wood—For the day when essential lacquers which have permitted better woodworking production schedules must be replaced by varnish, there is a new under-coat material available which is intended to maintain the faster production schedules despite the change from lacquer. It is a combination stain and filler which gives the same clarity and permanence of color as when water stain is used. The product of The Glidden Company, it's called Surfacene Combination Stain and Filler and is manufactured in any color needed. Both staining and filling are done in one operation, with a drying time of five hours.

They waited 17 years to Blast Out a Fire!



1 A PUBLIC UTILITY installed a Kidde Fire Extinguishing System to protect a large generator in one of their sub-stations. It was the first electrical extinguishing system designed by Walter Kidde & Company engineers.

2 17 YEARS after installation, an electrical fault developed in the generator. Fire blazed up.



3 INSTANTLY, THE KIDDE SYSTEM was thrown into action. A "bank" of cylinders released a cloud of Kidde carbon dioxide. This fire-enveloping snow-and-gas flooded the generator, reached into every crevice. In a few seconds, it smothered the blaze. For half an hour, as the generator ran down, it controlled "after-glow", prevented re-ignition. Result: damage confined to the original break, weeks of repair time saved!

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COLOR CONDITIONING

(Continued from page 15)

not recognize that his fatigue, nausea, headache, may trace back to hours spent endeavoring to see that which was not adequately visible. He may blame a cut finger or a broken limb on his own carelessness and not on his eyes.

What color-conditioning may accomplish in modern industry may well be expressed in the description of an actual factory in which many of the points of this article were carried out.

In the general office, a blue-green was chosen, toned with light gray, and adjusted in brightness to be a trifle lower than that found on the working areas of desks and office machines.

In private offices, an optional choice of ivory, gray, or blue-green was permitted to satisfy the tastes of executives and help personalize the plan.

In the reception room, a colorful treatment of hues and textures was introduced to give pleasant contrast.

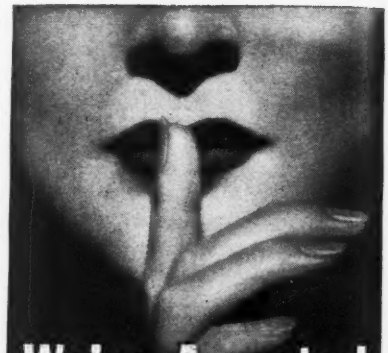
In factory areas the upper and lower walls were in two light tones of pearl gray. (The operations of the company involved high discrimination of brownish and "natural" materials, plus extreme sterility.) The brightness of the walls gave excellent visibility to the products and dramatized everything white.

No distractions of pure hues were allowed, lest they compete for the attention of the worker. In certain departments where severe eye tasks existed, end walls were painted in soft grayish blue to afford visual relaxation.

Corridors, locker rooms and wash rooms were in soft blue-green. The lunch room was treated in a psychologically appetizing tone of peach.

The general effect was one of subtle color, planned to afford an efficient working environment and to lend variety in the normal traffic of personnel. And if beauty means anything, it was at no time an objective in itself—but rather the natural result of utility.

For color-conditioning is concerned with results before it is with mere effects. Its purpose is to add to human efficiency, increase production, reduce accidents—and at the same time capitalize that fascination for color which is inherent in all of us.



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20,523 Presidents

The chief effectiveness of DUN'S REVIEW's coverage of the larger concerns lies in the fact that it reaches the presidents and the top executives of some 50,000 organizations: 20,523 are presidents and 11,603 other corporate officers.

L.L.BROWN Bond Paper

MEASURING PROFITS

(Continued from page 10)

illusory was bad enough, but to have paid a very heavy tax on them without any chance of recovery thereof (because of the manner in which the tax law was framed) was adding insult to injury. The Treasury Regulations afforded a very limited relief. The principal case of this kind is indicated by Article 261 quoted from Treasury Regulations 45 (1920 edition):

Losses in inventory and from rebates: Taxpayers are allowed deductions from net income for the taxable year 1918 for losses resulting (a) from material reductions after the close of the taxable year 1918 of the values of inventories for such taxable year, and (b) from actual payments after the close of the taxable year 1918 of rebates in pursuance of contracts entered into during such year upon sales made during such year. The taxable year of the taxpayer whether calendar or fiscal, is meant in every case. Such deductions may be secured by two methods, either by a claim in abatement or by a claim for refund, and must not be entered upon the regular return.

Unfortunately the most serious drop in the price level following the conclusion of World War I did not occur in 1919 but during the year 1920, and no provision was made for relating inventory losses of that year (which had their basis in the hectic economic conditions of the war period) back to the tax returns made for the war years.

Canada has put a provision in its present Excess Profits Tax Act which attempts to deal with this situation so far as inventories are concerned. It allows a corporation in respect of any taxation period, to deduct from profits:

. . . such reasonable provision as a reserve against future depreciation in inventory values as the Minister in his discretion may allow having regard to a normal quantity of stock in trade necessary for the business as indicated by the quantities on hand during the standard period:

Provided that no such deduction shall be allowed which provides against a decline in inventory values below the inventory prices of goods on hand either at the end of the fiscal period of the taxpayer ending in the year 1939 or in case the fiscal period of the taxpayer ends after the 31st day of August, during the said month of August 1939 and, provided further that any reduction in such reserve shall for purposes of taxation under this Act be added

THE NATIONAL CITY BANK OF NEW YORK

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Condensed Statement of Condition as of June 30, 1942

(In Dollars)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers	$ 935,698,027
United States Government Obligations (Direct or Fully Guaranteed)	1,277,330,145
Obligations of Other Federal Agencies	37,250,496
State and Municipal Securities	159,411,837
Other Securities	61,514,529
Loans, Discounts and Bankers' Acceptances	595,152,147
Real Estate Loans and Securities	5,720,191
Customers' Liability for Acceptances	5,018,247
Stock in Federal Reserve Bank	4,650,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	38,805,636
Other Real Estate	1,500
Other Assets	711,037
Total	$3,128,263,792

LIABILITIES

Deposits		$2,917,113,053
Liability on Acceptances and Bills	$11,971,019	
Less: Own Acceptances in Portfolio	5,639,403	6,331,616
Items in Transit with Branches		14,852,967
Reserves for:		
Unearned Discount and Other Unearned Income		3,054,820
Interest, Taxes, Other Accrued Expenses, etc.		8,779,621
Dividend		3,100,000
Capital	$77,500,000	
Surplus	77,500,000	
Undivided Profits	20,031,715	175,031,715
Total		$3,128,263,792

Figures of Foreign Branches are as of June 25, 1942, except Chinese and Japanese branches which are as of November 25, 1941, and the Philippine branch as of December 23, 1941.

$226,018,533 of United States Government Obligations and $14,784,384 of other assets are deposited to secure $190,495,239 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

BANKERS TRUST COMPANY

NEW YORK

CONDENSED STATEMENT OF CONDITION

ON JUNE 30, 1942

ASSETS

Cash and Due from Banks		$392,614,698.88
U. S. Government Securities		529,591,777.34
Loans and Bills Discounted		315,927,282.00
State and Municipal Securities		33,539,929.25
Stock of Federal Reserve Bank		2,250,000.00
Other Securities and Investments		39,682,837.21
Real Estate Mortgages		2,253,813.05
Banking Premises		16,324,726.14
Accrued Interest and Accounts Receivable		3,113,012.46
Customers' Liability on Acceptances		727,549.05
Bonds Borrowed		828,900.00
		$1,336,854,525.38

LIABILITIES

Capital	$25,000,000.00	
Surplus	50,000,000.00	
Undivided Profits	37,612,292.05	$112,612,292.05
Dividend Payable July 1, 1942		875,000.00
Deposits		1,218,162,690.25
Accrued Taxes, Interest, etc.		3,020,896.56
Acceptances Outstanding	$ 812,608.80	
Less Amount in Portfolio	83,476.88	729,131.92
Liability under Bonds Borrowed		828,900.00
Other Liabilities		625,614.60
		$1,336,854,525.38

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 8, 1942. Assets carried at $133,704,734.23 have been deposited to secure deposits and for other purposes.

Member of the Federal Deposit Insurance Corporation

to the profits of the year in which such reduction takes place and any portion of such reserve remaining at the end of the year or fiscal period when this Act ceases to apply to the taxpayer shall be available to the taxpayer to meet declines in inventory values during the next following year and if not exhausted by the end thereof the remaining portion shall be added to the taxpayer's profits of the last year or fiscal period when this Act applies to the taxpayer.

The effect of this provision is to permit the freezing for excess profits tax purposes of a normal quantity of inventory at the price level obtaining at the outbreak of the war in September, 1939. It will be noted that to the extent that inventory reserves are not actually needed they will eventually be subjected to the excess profits tax. This inventory provision of the Canadian Act seems an eminently desirable one which might well have the serious consideration of our Congress so as to avoid the taxing of profits which may be found to be similar to eggs on which the hen is sitting but which never hatch.

The LIFO (last-in, first-out) inventory method has been adopted by some companies in an endeavor to avoid showing illusory profits and paying taxes thereon. Even department stores and other retailers are now much interested in it, and some have adopted it, as shown by the reports that have been coming out since January, end of the fiscal year for a majority of department stores. Formerly, they were not interested in the subject, because it did not seem it could be made applicable to their business activities. Others have hesitated to adopt the method because of technical problems in adapting their accounts thereto. In the latter case, however, management may still deem it wise to get substantially the same result by setting up inventory reserves to reduce the amounts of inventories to the LIFO basis.

One of the large and successful chemical companies indicates in its published reports that it has established and is maintaining reserves to bring its inventories down to the lower of September 1, 1939, cost, or the current year-end cost or market. At present such inventory reserves, which in principle are deductible under the Canadian Excess Profits Act, are not deductible under either excess profits tax or income tax sections of our Internal Revenue Code.

Including All Reserves

The inventory reserve, however, is only one of those reserves which might well have the consideration of the Treasury and of Congress in dealing with the difficult subject of war taxation. One suggestion which has been made in the course of the discussions incident to the proposed Revenue Act of 1942 is that tax returns might be prepared on the basis of including, not only gross income and deductions as specified in the Internal Revenue Code, but also any reserves which the taxpayer may have set up in its books and wishes to claim in its tax returns.

The tax is then computed in two ways: (a) on the basis of excluding any deduction for the reserves, and (b) after deducting the reserve provisions. The amount of tax under (b) would be payable in cash, but war bonds for the difference between (a) and (b) would be purchased by the taxpayer and placed in escrow, the consent of the Treasury being necessary for their release. Corresponding to the extent that the reserves are demonstrated to have been needed, escrowed bonds would be released to the taxpayer; to the extent that the reserves are found unnecessary, the relative amount of bonds would be surrendered to the Treasury.

It is highly essential to the mainte-

nance of a sound business structure, that serious thought be given to the gravity of the situation inherent in putting tremendously heavy taxes on business. The greater the proportion of business income or profits which is taken in taxes, the greater the importance of determining taxable income in such a manner that it will consist of actual profits. Taxing apparent profits which prove to be illusory will have a ruinous effect on our business structure.

From what has been presented herein for consideration, it is evident that there are numerous angles to the subject of war reserves: the angle of accounting which calls for management recognizing every situation, present and prospective, which has a bearing on the profitableness or otherwise of the operations carried on during the abnormal conditions of a war period and the ensuing post-war period; the angle of setting forth the results and position of a business in reports to stockholders so that they may not be led to undue optimism because of temporarily large profits in respect of which, however, there may be a reckoning coming later in the way of post-war readjustments; the angle of exceedingly heavy war taxation, with the interest of the national economy—and not merely that of the individual business—calling for the avoidance of taxing pseudo-profits; and so on.

The subject is a vital one which calls for the most careful consideration so that we may not repeat the mistakes made during World War I.

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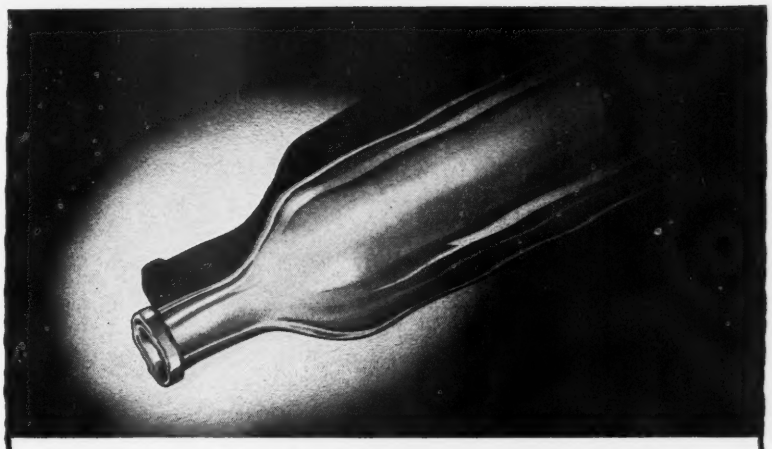

PLANNED FINANCING CLEARS A BOTTLE-NECK

After 40 years in business, the Monitor Company* had modernized everything except its methods of financing.

As new types of machinery and new methods of production were perfected, they were promptly adopted. Plant maintenance kept pace. Office equipment was brought up to date. New markets were opened up. New customers were placed on the books.

But financing followed the same old routine until, one day, the officers took stock of the situation. They discovered that $48,000 was far too little working capital for a company with a net worth of $973,000 and a million dollar sales volume to operate with a satisfactory profit.

The cash and credit bottle-neck was seriously impeding progress. Something had to be done. So they called on Commercial Credit to engineer a plan of financing.

The plan as worked out and applied brought results. It was supplemented to take care of a balanced inventory position in 1940. The success story is simply told by three years' figures:

	9-30-39	9-30-40	9-30-41
CURRENT ASSETS	$497,516	$499,970	$581,800
WORKING CAPITAL	215,627	253,403	301,907
SALES	2,502,948	1,985,117	2,397,653
NET PROFITS	21,774	47,727	202,594

In September, 1941, $82,129 of dividend arrears on the preferred stock was paid in cash.

* * * * *

It could well pay you to let us appraise your present financing methods. Whether you are now working on war contracts, seeking war contracts, or wholly engaged in non-war production, we will gladly make a thorough analysis of your needs and, if feasible, recommend fundamental plans that can improve your cash and credit position. For a preliminary discussion, without obligation, write Dept. 1506

**A fictitious name, but the facts and figures, taken from our files, can be verified.*

Commercial Credit Company
Baltimore

Subsidiaries: Boston New York Chicago San Francisco Los Angeles Portland, Ore.

CAPITAL AND SURPLUS MORE THAN $65,000,000

INEQUITIES *and* FORGIVENESS

THE STORY is going around about the unfortunate fellow who opened a retail store last March. To attract customers he offered his wares at very low bargain prices. And now his low prices for that month constitute his price ceiling.

Incidents such as this provide no basic grounds for criticizing the anti-inflation program. Sweeping controls are necessary and there are bound to be hundreds of cases of apparent inequity. Many of these will undoubtedly be moved out in time.

People will usually forgive much in their friends. And the business man should have more than a friendly feeling for the anti-inflation program. His very existence may depend upon its success.

Willard L. Thorp.

EDITOR

PHOTOGRAPHS: SECOND FROM BOTTOM: INTERNATIONAL; OTHERS, ACME.

CUSTOMERS ARE PEOPLE

The July State Pocket Edition reflects all the changes of sales and credit importance during the past six months.

—and react to courteous attention with the same set of emotions as the rest of us humans. Sales calls made today are a good investment and will pay dividends in profitable business—perhaps sooner than many of us expect. Salesmen equipped with the July 1942 State Pocket Edition will keep up the friendly contact among the most desirable outlets.

There is a nearby Dun & Bradstreet office which will be pleased to send you an order card listing all the State editions.

DUN & BRADSTREET, INC.

An Opportunity

Our government has given us an opportunity to make the soundest investment in the world, through the purchase of United States War Savings Bonds and Stamps, which will furnish the money to back up the armed forces.

This investment is an obligation as well as an opportunity to actively participate in the Victory program.

Let us all invest for Victory.

U.S. War Savings Bonds and Stamps are on sale in Post Offices, Stores, Business and Financial Institutions, Schools, Theatres, and IBM Offices throughout the Country

INTERNATIONAL BUSINESS MACHINES CORPORATION